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RCA's new trademark is embossed on the cover of this year's Annual Report to shareholders in a design resembling the pattern of a printed circuit or the output of a data processing system, symbolizing the company's leadership in the emerging information industry. The new trademark is the most prominent feature of a new look that is being applied to all of RCA's activities and facilities.

	1967	1966
Sales and earnings		
Sales of products and services	\$3,027,216,000	\$2,891,975,000
Net profit for year	147,509,000	144,459,000
Per cent to sales	4.9%	5.0%
Per common share	2.27	2.26

Dividends		
Cash dividends declared per common share	\$.85	\$.80
Stock dividend declared on common stock	—	2%

On December 7, 1967, the Board of Directors increased the regular quarterly cash dividend on common stock from 20 cents to 25 cents per share.

Assets		
Additions to plant and equipment	\$ 186,209,000	\$ 205,705,000
Net increase in revenue-earning equipment of Hertz	13,516,000	33,906,000
Total assets at year end	2,083,796,000	1,853,626,000

Figures for 1967 include, and figures for 1966 have been restated to include, those of The Hertz Corporation, which was merged into RCA on May 11, 1967, and accounted for as a pooling of interests.

To Our Shareholders:

Over the past decade, few major companies in American industry have penetrated new markets and probed new frontiers of technology as effectively — and as profitably — as RCA.

Ten years ago, we were virtually alone in color television. Today, we are the pacesetter in the multibillion-dollar color industry. In 1958, the nation's space program was in its infancy. Today, RCA is one of the country's leading designers and builders of operational spacecraft. Ten years ago, the basic building block of electronics was the vacuum tube. Today, minute chips of integrated circuitry,

built by RCA, are to be found in virtually all types of electronic products from television receivers to information-gathering systems.

Over the 10-year period, our shareholders have more than doubled in number to the present level of 330,000, making RCA the ninth most widely held corporation in the country. Our dollar sales have more than doubled, and, more significantly, our profit performance has improved at an even faster pace.

In 1967, despite the combined pressures of heightened operating costs, a month-long strike at nine of our plants, and softness in consumer durable goods demand, RCA sales and profits advanced to record levels for the sixth successive year.

Sales moved above the \$3-billion mark for the first time, with a total for the year of \$3,027,216,000. This was an increase of 5 per cent over sales for 1966.

Net profit after taxes reached \$147,509,000, an increase of 2 per cent over that of last year. Earnings per share were \$2.27, as compared with \$2.26 in 1966, on a larger number of shares outstanding.

Although the 1967 increases are not at the rate of the previous five years, they nevertheless represent significant progress in an unsettled period that saw profits for U.S. manufacturing industries as a whole fall by more than 6 per cent.

The company's over-all pattern of development was supported by advances in five principal areas:

We increased our share of the color television market by a substantial margin, consolidating our leadership in this important growth area.

We increased our commitments in the computer industry, reflecting our intention to build this activity into one of our principal businesses in the 1970s.

We entered new areas of the service business, which has become one of the most vigorous forces in the economy.

We moved into new areas of business opportunity, such as instructional electronics, that hold the promise of technological solutions to urgent social problems.

We enlarged the diversity and scope of our business on a global basis.

To implement these changes, and to build for the future, we organized our varied functions into five major operating areas — Services, Defense and Commercial Systems, Consumer Products and Components,



David Sarnoff, Chairman of the Board



Elmer W. Engstrom, Chairman of the Executive Committee

Broadcasting, and Information Systems. With in these clearly defined areas of management responsibility, we believe we will continue to achieve high levels of performance in established businesses as well as in imaginative commitments to new activities.

Established Businesses

With color leading the way, dollar sales of our Home Instruments Division once more set new records. Although the sale of color television receivers did not measure up to earlier industry predictions, gains were solid in a market whose growth possibilities are best illustrated by the fact that three-quarters of the nation's households are potential customers for their first color sets.

Our computer business continues to grow at a faster rate than that of the industry as a whole. However, because most of our equipment is leased, rather than sold outright, income is necessarily delayed. In 1967, this situation placed us once more in a loss position, but we look upon this as an investment in future profits and we look forward with confidence to the period when our data processing activity will become one of the most important parts of our business, surpassing even color television.

Improvements in sales were registered in most of our businesses, including broadcasting, records, communications, publishing, service activities, broadcast equipment, and electronic data processing.

There was a decline in our government business. This resulted from changes in military spending, which shifted to tactical weaponry, and a cut in appropriations for the nation's space program. Nevertheless, we still maintain a considerable backlog of orders in government projects, and this area accounted for 18 per cent of our total sales in 1967.

New Businesses and Expansion

With the approval of the shareholders of RCA and The Hertz Corporation at their respective annual meetings in May, 1967, this leading

renting and leasing company became a wholly owned RCA subsidiary. Although known internationally as a renter and leaser of automobiles and trucks, Hertz also provides a wide range of many other consumer and commercial services.

Moving in other directions of great potential, we entered the field of computer-based instruction for an educational market that is currently spending more than \$1 billion a year on all types of equipment.

One of the more recent developments in electronic data processing is the concept of time-sharing, which allows a number of users at remote locations to switch into a large central computer for problem solving or information. We recently entered this promising area by forming a new enterprise with the Commercial Credit Company to establish and operate time-sharing computer centers in principal cities across the country.

During the year, new plants and facilities were either announced or opened in Canada, the United Kingdom, Taiwan, Mexico, Italy, and Australia, as well as Puerto Rico.

RCA in 1967 did its part to help improve the nation's balance of payments, bringing in substantially more dollars than it invested or spent in other countries. We participated, with a number of other U.S. companies, in a voluntary balance-of-payments program in cooperation with the Department of Commerce. This program in 1967 sought an increase of 11 per cent for the year in net cash inflow involving major selected transactions. We were able to exceed this goal by a wide margin, increasing our contribution by about 24 per cent over the 1966 level.

A Look to the Future

Within the past decade, it has become increasingly evident that the early concept of electronic communications as a flow of signals between two distant points is being immensely broadened by advancing science and technology.

Today, the concept encompasses all forms of originating, transmitting, receiving, storing, and using information. To keep pace with this evolution, the tools of electronic information have progressed from the primitive wireless key to the television camera, the electronic computer, the integrated circuit,

the laser, and the electron microscope.

But even greater changes are ahead, spurred by further progress in technology and the apparently insatiable demand for the principal commodity of the electronics industry—information.

There is growing interplay among the various informational media, and a trend toward their unification in electronic systems that incorporate sight and sound, print and data in any desired combination to form information and communications centers for home, office, factory, and classroom.

These are the components of the Information Revolution, a far-reaching process that is destined during the coming decade to transform the nature and extent of all methods we now employ to originate, communicate, and use information.

By 1975, we expect that RCA and the industry as a whole will have grown far beyond their present technology and business to achieve a new type of enterprise based upon information in all its forms, extending in scope and function to capabilities unattainable by our most advanced systems today. This new information industry is expected to become one of the largest in the national economy, exceeded by few in volume and by none in the extent of its penetration into the pattern of daily life.

And so, while we retain our strong roots in the past, we also recognize that RCA will be engaged in the years ahead in enterprises that demand entirely new approaches and different solutions. Aside from being a year of continuing progress, 1967 became, therefore, a period of fresh evaluation, during which we examined the basic premises that underlie our entire business activity and that provide our continuity with the formidable achievements of the past.

The initial results of this study are becoming evident as this 1967 Annual Report is pub-

lished. It appears in all areas of internal and external identification, from the modernization of a trademark that has become one of the most widely known in American industry to revisions of package design, company publications, and advertising.

At the same time, we analyzed the broad spectrum of our operations for the purpose of selecting those general areas that we believe offer the greatest promise for our special skills. They embrace the past, provide a framework for the future, and emphasize our commitment to design fully integrated systems for use in specific fields from aerospace to entertainment.

These, then, are the paths we shall take as we reach out into new and established markets in an intensive effort to further the Information Revolution and to accelerate the growth rate that has made RCA the 14th largest industrial concern in the nation.

As we progress, we shall continue to draw our greatest strength from the dedication and skill of the 128,000 men and women of RCA who design, build, and market the products and services that provide the rewards of today and the promise of tomorrow.

For Radio Corporation of America

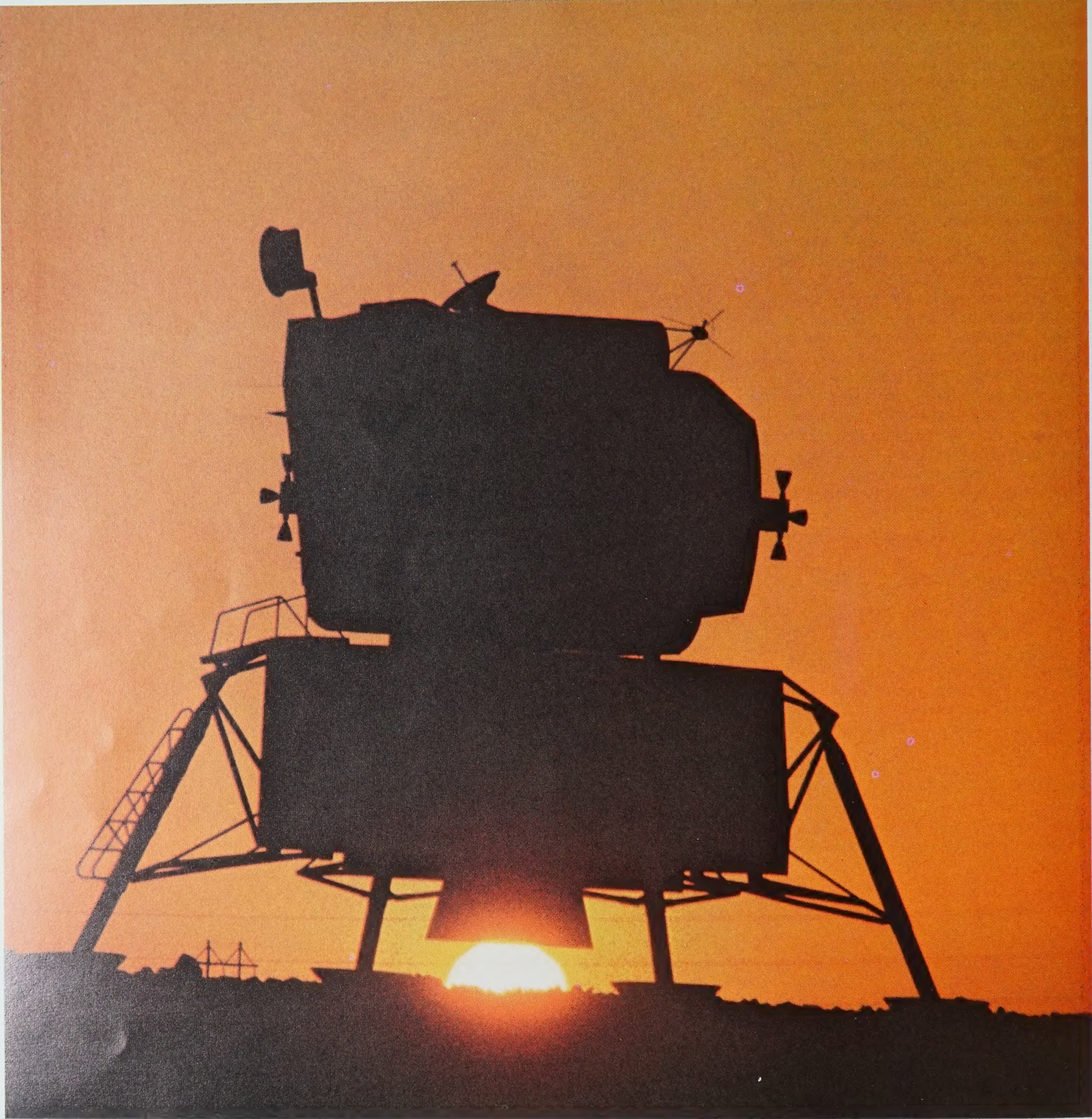
David Sarnoff, Edwin W. Engstrom, Robert W. Sarnoff

February 27, 1968



Robert W. Sarnoff, President and Chief Executive Officer

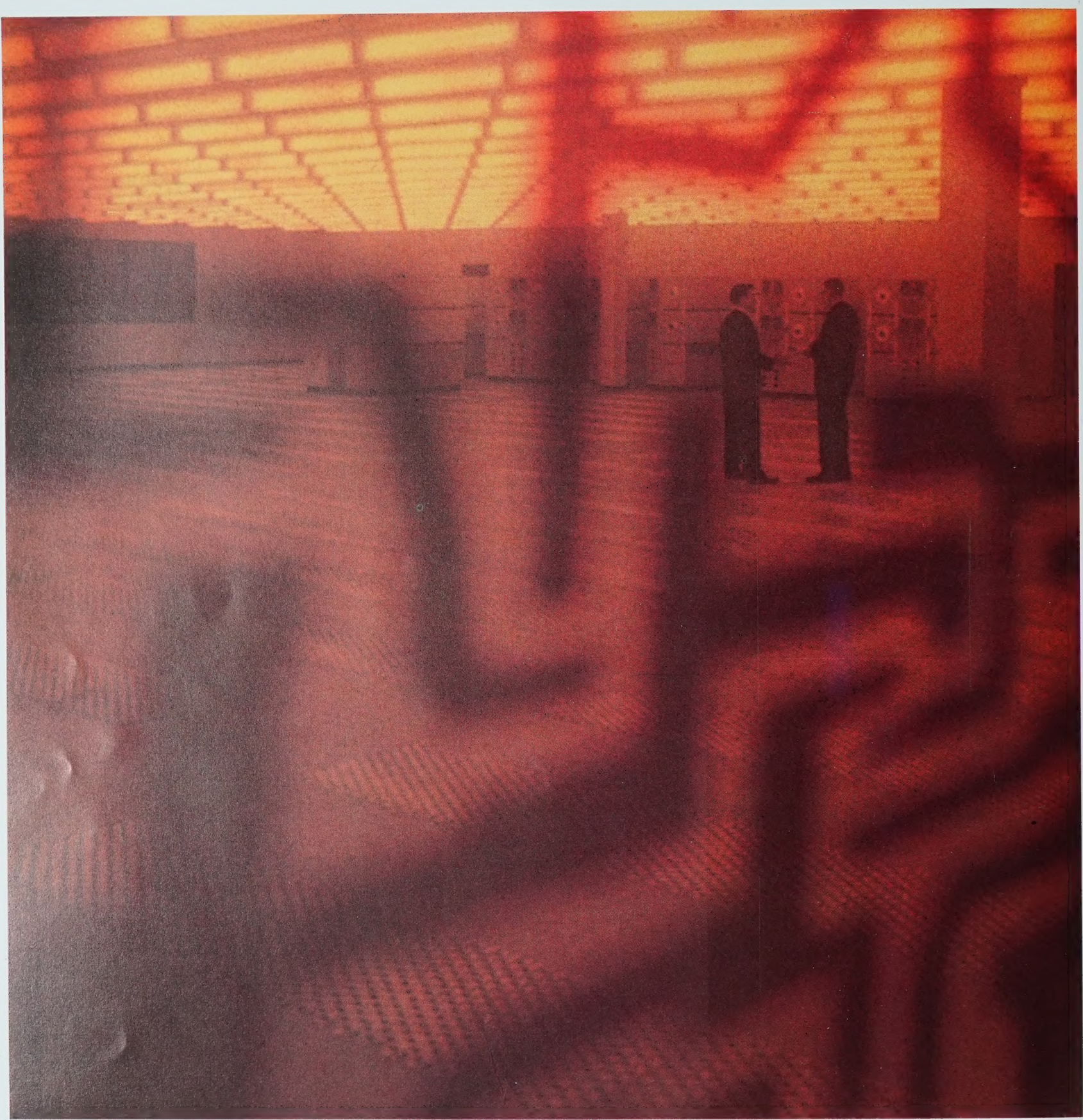
The new RCA trademark displayed by President Robert W. Sarnoff in the photo on this page symbolizes a corporate-wide program that has been undertaken to modernize every aspect of RCA's appearance and to reflect the company's continuing growth and diversification. In the 48 years since its founding, RCA has evolved from a radio communications enterprise to a multi-faceted industrial leader whose skills today find expression in eight broad fields of technology and business. These are represented pictorially in the following pages, conveying the great scope of activities carried on through RCA's manufacturing plants, laboratories, and offices throughout the world.



Aerospace skills enable us to help in the continuing quest for useful knowledge of the world and its neighbors. These skills are employed in electronic systems for this vehicle designed to land American astronauts on the moon.



Education will place increasing demands upon RCA's resources in the years to come. This child at work with one of our instructional systems expresses the fascination of the inquiring mind and the wonder of discovery.



Information, the pulse beat of our civilization, finds its highest modern expression in the electronic computer. At the heart of today's systems are integrated circuits produced by the tens of thousands in such facilities as this "clean room" at an RCA components plant, viewed through a circuit pattern.



Communications in this new era of technology embrace not only electronic sight and sound but also graphic systems such as this RCA Color Scanner for the rapid reproduction of color plates for printing books, magazines, and newspapers.



Defense remains a prime national requirement in an imperfect world. We contribute our skills to the development of many advanced military techniques, including those which employ the coherent light of the laser.



Research, represented here in mathematical symbols inscribed on a blackboard in one of our laboratories, opens the door to knowledge that equips man with increasingly powerful instruments and techniques to transform his environment.



Entertainment fills the leisure hours of millions through broadcast systems designed to bring the sights and sounds of comedy, drama, dance, and music into homes throughout the world.



Services form a constantly greater percentage of our business with government, industry, and the consumer. These ghostly radar domes of a Ballistic Missile Early Warning System installation, looming over an English moor, are operated by members of the worldwide RCA service organization

For the past decade, the pattern of consumer spending in the United States has been greatly influenced by the fact that the average American, year after year, has had to pay out a progressively smaller share of his total income for the basic necessities of life.

During this period, expenditure for essentials has still claimed a huge share of personal income. But there has also been increasing room for the extras that make for a fuller, more enjoyable life. After paying the essential bills and putting aside a substantial nest egg, Americans in 1967 had more than \$200 billion available for the purchase of products and services that contributed to the convenience, comfort, entertainment, and education of the family.

In the competition to tap this immense purchasing power, electronic products again fared exceptionally well. Only household equipment and automobiles captured a larger share of the average family's consumer durable goods budget. This reflected the further extension of a strong rate of growth enjoyed by the industry throughout the decade. In fact, expenditures for consumer electronic products in the United States, over recent years, have been increasing more than twice as fast as total disposable income.

In addition to its vigorous growth, the consumer electronics market has been affected by the increasing affluence of the average American family and its consequent ability to buy more products, such as color television, in the upper-medium and higher price categories. Some 35 per cent of the nation's households had incomes of \$10,000 a year or more in 1967, and they accounted for more than half the total income in the United States. It is estimated that at least 50 per cent of all households will be in this bracket by 1975 and will account for some 70 per cent of total income.

Despite its highly volatile nature, the market for consumer electronic products can be divided into fairly defined segments, covering various age, use, and economic groups. RCA serves all of these, and in 1967 total sales of home entertainment products achieved a record volume.

1. Protective windows are bonded to faceplates of color television tubes on assembly lines in an RCA plant.
2. These circular "punch-outs" once formed the centers of 45-rpm records.
3. Youthful performers at RCA recording session of new hit, "Hair," hailed as America's first tribal-rock musical.

2



Color Television

Color television, for example, has already penetrated broadly into the market provided by families with higher incomes. Yet, with more of the earning population rising to these levels, many new families are able each year to consider a color television set as the principal home entertainment unit. Again in 1967, more of these families bought RCA sets than any other brand.

Yet, only a quarter of the nation's households now own color television receivers, demonstrating that the growth potential of this market is still impressive. We have, therefore, been taking steps to expand our penetration into the medium-income and second-set markets.

During the year, we developed a number of products aimed specifically at these markets. They included compact furniture consolettes and the industry's first 14-inch color portable receiver. The immediate popularity of the new portable clearly demonstrated the growing importance of the second-set color market—an area we believe will develop at a faster rate than that experienced in black-and-white television.

The Youth Market

With fully half of the nation's population under the age of 25, we place strong emphasis





on products designed for the casual, mobile life of today's young people. For example, last year we introduced a unique beanbag radio which had wide appeal.

Another innovation was our first battery-operated portable black-and-white television receiver. Together with a wide selection of portable phonographs, and a greatly expanded line of tape recorders, including battery-operated units, these products allowed the younger generation to switch on to any kind of entertainment they chose, wherever they chose to travel.

In a market as dynamic as consumer electronics, we must excel in anticipating the nature and level of demand. Through advance development, engineering, marketing, and design programs, we constantly seek ways to position RCA for leadership in new trends, well before they become clearly evident.

The Spinning Record Market

The youthful hunger for new sounds and the application of mass-merchandising techniques have nearly doubled the record

industry's annual retail dollar volume to its present level of about \$800 million. By 1970, it should reach the \$1-billion mark.

The Record Division is among the leaders in this fast-moving market, and its sales in 1967 reached a new peak for the fourth successive year.

Our intention of maintaining this position was demonstrated by the decision to build this country's largest and most modern studios specifically designed for sound recording. They will be located at the Record Division's new headquarters now under construction

on the Avenue of the Americas in New York City.

The unending search for a hit record takes many forms. RCA scored in the teen-rock area, as well as in the more mature market, with outstanding groups, vocalists, and instrumentalists. During the year, negotiations were concluded to bring a number of important artists to the RCA label, among them the popular recording star Jack Jones.

Our success in the popular-record market has been accompanied by advances in our classical music catalogue. Negotiations were concluded to bring the Philadelphia Orchestra with its distinguished conductor, Eugene Ormandy, back to the Red Seal label after many years. With the Philadelphia, Boston, and Chicago orchestras, RCA now has three of the most important orchestras of the world on its Red Seal label.

In 1967, we entered the music publishing business by forming two companies—Sunbury Music, Inc. and Dunbar Music, Inc.—to find and create material for performing purposes.

The RCA Record Club, with the largest year-end membership in its history and a substantial increase in sales, diversified to become a many-line mail order operation.

Throughout the year, there was growing demand for Stereo 8 prerecorded tapes, for use in both automobiles and homes, and we enjoyed a 101 per cent increase in their sales. The Stereo 8 cartridge tape system became the standard of the automobile industry with all American manufacturers and many imported cars offering Stereo 8 players as an attractive extra feature.

Broadcasting

Commercial television broadcasting has grown in 20 years from an industry whose total annual revenues were less than \$9 million to a national force of such persuasive power that advertisers were willing to spend

1. Cyrano de Bergerac receives a new and comic treatment over the NBC network.

2. Critical acclaim greeted publication of *The Random House Dictionary of the English Language*.



\$3 billion last year to use it as a means of reaching the consumer.

Our broadcasting subsidiary, NBC, anticipates that advertising expenditures for television will more than double to reach an annual rate of \$6.5 billion over the next 10 years. Through NBC, we hold a leading position in this important market.

Last year, the number of television viewers in this country grew by more than 2 million persons, and the average evening viewing audience totaled 69 million. They represented a demanding audience with changing tastes and interests.

Once again, the NBC Television Network attracted more advertisers than either of the other networks, and expenditures by advertisers surpassed those of any other year in the network's 22-year history. Of particular importance to advertisers are those consumers in the 18-to-49 age group, in which is concentrated the greatest volume of spending for all goods and services. During 1967, NBC attracted and held more of this group of viewers than the other networks.

Recognizing the need for fresh programming concepts, NBC developed the idea of "event television." The aim of this approach is to give every program in the NBC Television Network schedule the quality of singularity, in regular series programming as well as in one-time specials. Examples of this concept range from an "I Spy" episode filmed on location in Greece to the live satellite colorcast of a golf tournament from Hawaii.

NBC News, the world's largest broadcast news and sports operation, has long set the standard for television and radio journalism. Backed by yearly expenditures approaching \$100 million, its staff of more than 900 gathered news, covered sporting events, and presented both regular news and interpretive special programs on a wide spectrum of current national issues, from the Vietnam war to civil rights.

Similar service was performed by the NBC Radio Network. Programs such as "Monitor," the weekend service of news, information, and sports, were personalized to meet the requirements of an increasingly mobile and individualized audience. Network radio's most dramatic role is its news coverage, and NBC Radio News—like its television counterpart—performed with an immediacy and degree of accuracy unchallenged in broadcast journalism.

Publishing

The record business and the book publishing industry share at least two characteristics. In each case, extremely rapid growth followed a dramatic innovation in product and the full exploitation of mass-distribution methods.

The introduction of unbreakable disks made the transition possible for the record industry. For books, it was the enormous saving created by paperback editions that brought into the market millions of new buyers and thereby increased the demand for all types of books. Last year, industry sales were \$2.4 billion, and studies indicate that the volume will rise to \$3.6 billion within 10 years.

An important part of the industry's consumer business lies in so-called "trade books"—fiction, biography, and other subjects of interest to the general reader.

Our subsidiary, Random House, is one of the leading trade book publishers in the country, and in 1967, a record sales year, books carrying the company's imprint consistently reached the best-seller list. Two 1967 examples were *The Confessions of Nat Turner*,

and *Rosemary's Baby*, both to be made into major motion pictures. During the year, *The Random House Dictionary of the English Language* established itself as one of the most influential dictionaries of the century, winning widespread acceptance among scholars and general users.



Service

The United States has the world's first service economy. More than half the total labor force is employed in providing such services as administration, insurance, installation, maintenance, communications, and broadcasting, as opposed to producing goods. Consumer spending for all service since World War II has grown by more than 400 per cent to a current level of more than \$200 billion a year — nearly twice the growth rate of spending for goods during the same period.

RCA is engaged in many service activities. Perhaps our most familiar role to the public is in maintaining and servicing RCA consumer products. For example, a color television set is the most complicated instrument ever mass-produced for home use. We have trained thousands of technicians to install and service these and other RCA products. In 1967, the RCA Service Company installed more color sets than ever before in homes, hotels, motels, and institutions.

As the consumer electronics market grows, the demand increases for more technicians. To help meet the need, we opened six new training centers during 1967 in key cities across the country.

Renting

We are engaged in the rent a car business through The Hertz Corporation, the leading concern in the field. The company and its licensees now operate more than 130,000 automobiles and trucks in renting and leasing service through 2,900 locations in 1,800 cities throughout the world.

In addition, Meyers Bros. Parking System, a Hertz subsidiary, provides auto parking service at nearly 250 locations in the United States and Puerto Rico.

Late in 1967, Hertz announced its intention to purchase 100,000 new 1968 cars and trucks to serve as additions and replacements in the fleet. Valued at about \$375 million, this was the largest vehicle order ever placed by any business organization.

The Hertz Corporation maintained its leadership in the multibillion-dollar renting and leasing business in 1967 by setting a new all-time sales record.

Commerce and Industry



For years, electronics was considered a technology of communications and entertainment. Within the past decade, however, electronic systems and techniques have become vital to the technological progress of virtually every industry and to the management of countless commercial and industrial enterprises.

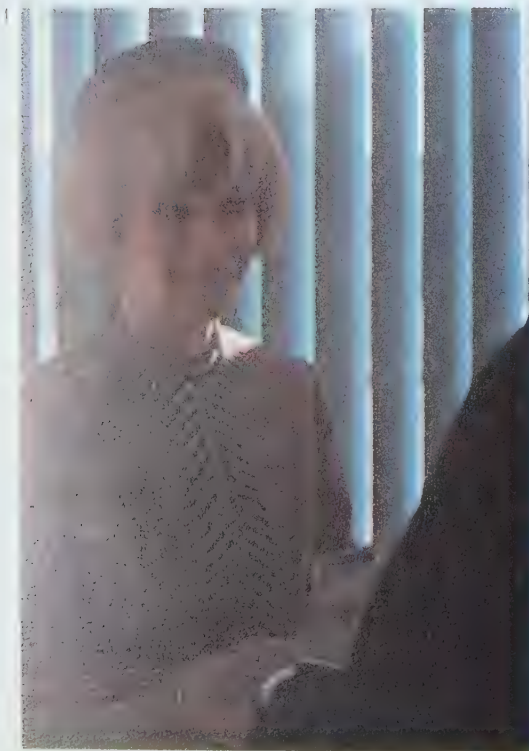
Information Systems

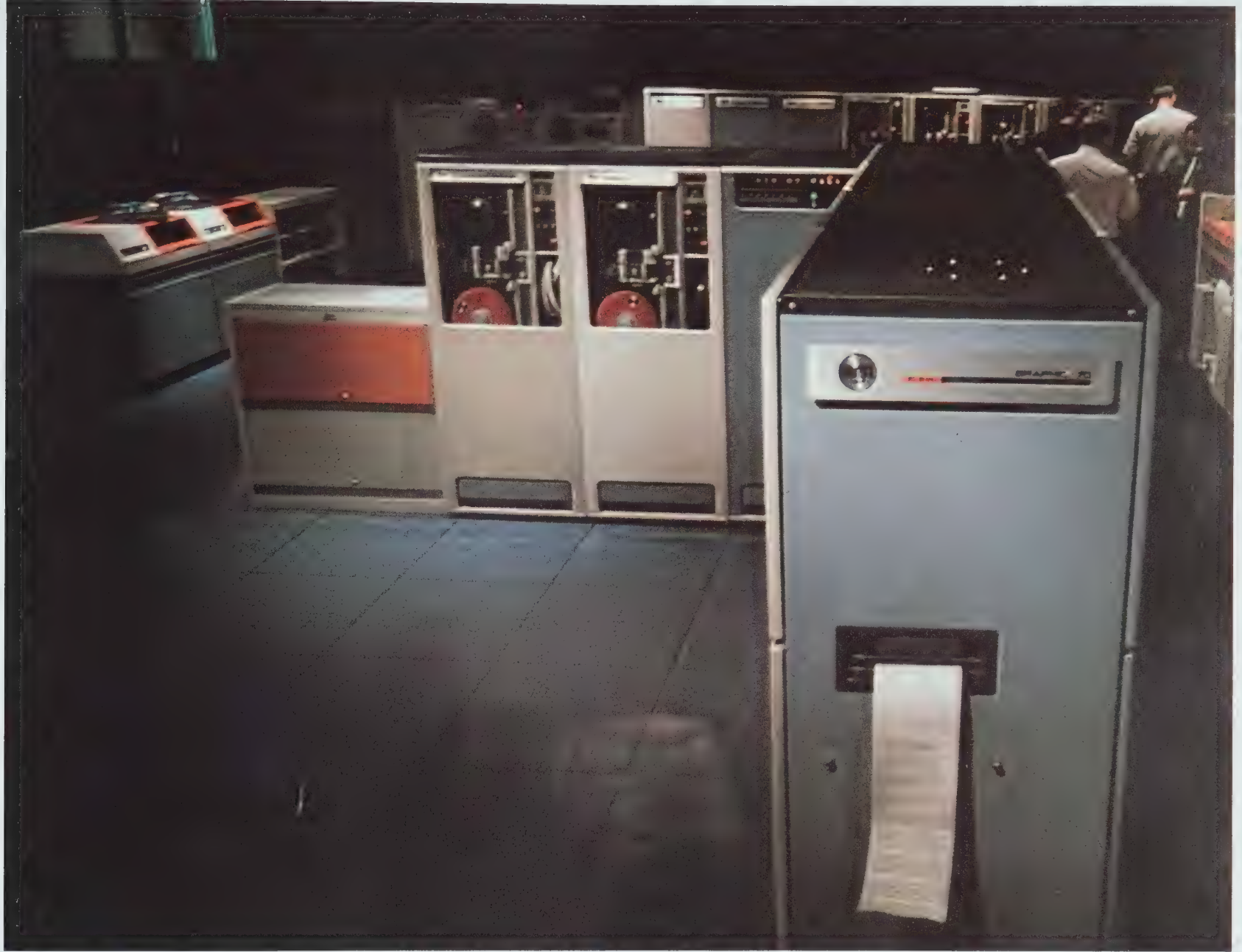
With the advent of the computer, electronics has reached out to affect a multitude of public and private activities. Although still in its infancy, the information-processing industry has caused a revolution in the conduct of this nation's business.

The computer industry is among the fastest growing industries in the economy, with a current annual expansion rate of about 20 per cent. In the immediate future, we expect that our computer activity will grow one and one-half times faster than the industry as a whole.

Competition in this market, which is dominated to a unique degree by one company, is difficult and costly. However, we believe we have a promising growth potential — in part, because of changes that have recently occurred within the industry.

Business and government organizations today demand computer systems capable of handling data among many far-flung locations over standard communications lines. We are





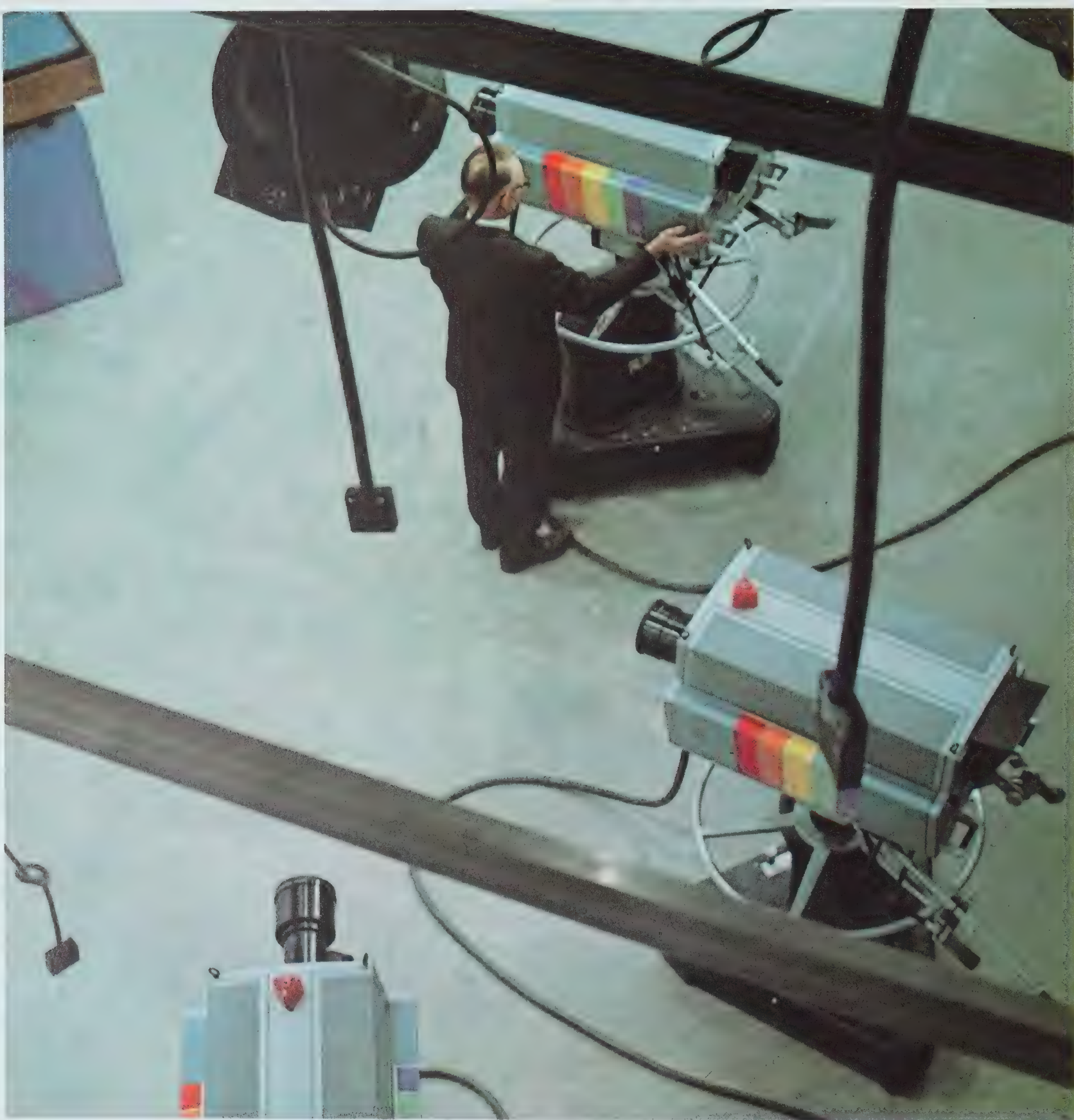
convinced that our long experience in the design and manufacture of communications systems has given us an important advantage in the development of new equipment and techniques to meet the growing demand for these information networks. Our major effort has been channeled in this direction, and the results are bearing out our expectations.

In 1959, our first active commercial year in the business, we shipped equipment with a sales value of \$6.8 million. In 1967, we shipped equipment with a record sales value of \$230 million, most of it in members of the RCA Spectra 70 third-generation family of

computer systems and related devices.

Our new customer base has grown rapidly. Today, a typical order carries a monthly rental charge of more than \$20,000, three times the average of four years ago. During 1967, several large orders for RCA Spectra 70 systems were placed by major national and regional enterprises. Among them was the largest such order in our history, comprising a network of 18 systems for the headquarters and branches of the New England Telephone Company.

- 1. Fast, efficient car-rental service is provided by The Hertz Corporation.
- 2. Tiny, light-producing crystal, held in tweezers, is to be used in visual indicators and display systems.
- 3. The combination of computer and television techniques produced the RCA Videocomp, capable of electronically setting 900 lines of text in one minute.



Time-Sharing

Among the more significant additions to our product line in 1967 was the Spectra 70/46 Time-Sharing System, developed in response to an entirely new industry based on the leasing of time to a number of small users who have direct access to a single computer at the same time. Many economic forecasters predict this area will become a \$2.5-billion business by 1975. We entered this field by joining with the Commercial Credit Company in the establishment of a new enterprise to operate computer centers across the country for time-sharing customers.

Broadcast Equipment

RCA has been making and selling transmitting equipment for the broadcasting industry since 1927. Today, we are the leading supplier of broadcast equipment to a market that has grown threefold within the past decade to a current level of about \$180 million a year.

Conversion of existing TV stations to color, a strong replacement market, and the opening of new UHF stations are the major factors behind this expansion.

Barring any major shift in the present trend, we expect the market for broadcast equipment to nearly double within the next 10 years.

We have already penetrated this market more deeply than has any other organization, selling equipment to more television stations now on the air throughout the country than any of our competitors.

The year brought a resurgence of our broadcast-quality tape recorder business, with delivery of approximately 300 color TV tape machines. The shipments included major installations of the TR-70 de luxe "high-band" color recorder, conceded to be the highest quality color machine currently available.

Late in the year, we also introduced a compact version, known as the TR-50. Priced at one-third below the cost of the TR-70, it is expected to expand our market for tape equipment by making superior color reproduction available to a wider group of broadcasters.

Industrial Equipment

Many companies and industries are regular users of a wide range of electronic inspection, testing, measuring, control, and assembly systems. RCA serves the automotive industry with this type of equipment, and we also design metal detection apparatus for use in food packaging, textiles, and certain mining and quarrying operations.

While this is today a relatively small factor in RCA's total business, we are expanding our activities in automation in order to prepare for a more significant penetration of this

2



potentially large market. The projects under study relate to new peripheral devices for data processing and various applications of computer-controlled testing.

Magnetic Products

Virtually every enterprise in the country faces the problem of storing and retrieving a mounting tide of information essential to the conduct of its business.

One of the most efficient means of "filing" data is to store it in the form of electrical signals recorded on magnetic tape. RCA is a worldwide supplier of computer, video, instrumentation, and audio tapes, and other memory devices using magnetic coatings, and our sales of magnetic products were higher in 1967 than ever before. During the year, we established a separate Magnetic Products Division to participate more effectively in the growing market, and we expanded our product line and plant facilities.

The present market for magnetic products is estimated at well over \$200 million a year and is expected to more than double within five years. In view of our experience in sound recording, the manufacture of computer systems, video tape recorders, and other tape-using devices, we feel that our expansion in this area is a natural development which holds great promise for the future.

1. RCA color cameras set to capture live action in a television studio.
2. Holography, the process of forming three-dimensional images, holds great promise for many display purposes.

Graphic Systems

The printing business has only recently discovered new applications for electronic technology. This \$14-billion-a-year industry is developing larger and more efficient business units to produce a worldwide output of printed information that has now reached the rate of 2,000 pages of books, newspapers, periodicals, and reports every 60 seconds.

To aid them in this enormous effort, printers have turned to electronics, combining the newest with one of the oldest means of communication. RCA is among the leaders in developing new systems and techniques for this promising market.

In 1966, we brought to the market a new, all-electronic typesetter called Videocomp, which sets text at rates of up to 650 characters a second and 900 lines per minute. Ten of these units are in operation, and more have been ordered by large printing firms.

Because RCA was the first to market and install an all-electronic typesetter, we have built a lead of at least a full year. More powerful versions of Videocomp are in preparation, to operate at speeds of thousands of characters a second, setting both text and graphics in a single, integrated electronic process.

Printers have tended to use color less often than black-and-white because the process of color separation is costly and time-consuming. To overcome this problem, we have introduced the RCA Graphic 70 Color Scanner, which electronically produces the four separations required for full-color printing in one-fifth the time taken by conventional techniques. RCA markets a full line of these devices, and we have installed substantially

more electronic color scanners presently in use in the United States than has any of our competitors.

To meet the expected demand for both the Videocomp and color scanners, our Graphic Systems Division more than doubled its facilities in 1967 by moving into a newly constructed plant in central New Jersey.

Electronic Components

In addition to producing a wide variety of electronic systems, we also supply thousands of types of tubes, transistors, integrated circuits, solid-state circuit devices, and similar electronic building blocks.

RCA has long been the leading supplier of color TV picture tubes. During 1967, we produced more of these tubes than ever before, to be used both by RCA and by other set manufacturers. We also brought the RCA 22-inch family of color tubes up to full production in order to close the size gap between our 19- and 25-inch types. With this move, our color tube line became the most extensive in the industry.

Technical improvements were also introduced. A new phosphor provides far better highlights than in previous color tubes and makes it possible to view color television with high picture contrast even in broad daylight.

Our semiconductor products are divided into two basic marketing areas—power devices and so-called small signal devices. They include more than 3,000 different types, ranging from power transistors, thyristors, and optical products to integrated circuits and MOS Field Effect Transistors.

These products, some of them extremely minute, are essential to the manufacture of solid-state home entertainment instruments, computers, lasers, and a host of other complex devices. They are also present in more familiar equipment, such as electronic guitar amplifiers and ignition systems for automobiles, outboard motors, and lawn mower engines.

We hold a leadership position in the manufacture of the Triac, a new solid-state device which controls electrical operations with high precision and extremely low power consumption. These tiny components have found their way into many consumer products, including food blenders, fans, and light dimmers. Thousands of our Triacs are used in electronic scoreboards erected in sports stadiums. Others are used in residential

space heating and industrial lighting.

For the data processing and related industries, our Memory Products Division manufactures devices ranging from individual ferrite cores with inside diameters only three times the thickness of a human hair to complete memory systems with capacities up to 32,000 words. Memory products are currently being sold to commercial, industrial, aerospace, and military markets for use in special-purpose computers, business data processing equipment, instrumentation computers, navigation devices, missile checkout systems, and even in food programming equipment at drive-in restaurants along the nation's highways.

The continued growth of electronic markets, especially for such products as television equipment, computers, and control systems, generates a rising demand for both tube and solid-state components. RCA's development and production plans are geared to take full advantage of this trend.

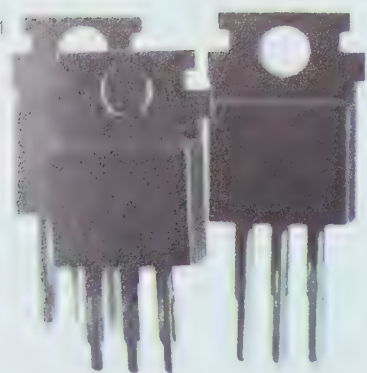
Communications

RCA's original business, starting with the formation of our company in 1919, was international communications. This activity continues to grow, and our subsidiary, RCA Communications, Inc., remains the nation's leading international telegraph carrier.

In 1967, the company's sales increased for the 14th successive year, and earnings also were at a record high. We made more than 2.6-million telex connections, handled almost 11-million overseas telegrams containing approximately 300-million words, and had more than 400 private communications channels under lease to individuals, business firms, and government agencies.

In order to provide facilities for future growth, additional high-frequency radio, coaxial cable, and satellite channels were acquired and placed into operation. At the close of 1967, our communications network consisted of almost 1,400 circuits of all types capable of transmitting information in virtually every form.

We also introduced a service concept known as AIRCON (Automated Information and



1. A group of plastic-packaged silicon power transistors for use in audio output equipment awaits shipment.

2. Solid-state electronic components in process of assembly are found in a wide variety of communications and computer equipment.





Reservation Computer Oriented Network). A unique application of computer time-sharing, AIRCON allows companies which operate their own private teleprinter network an opportunity to "plug in" to a master computer that will switch their messages electronically. The system improves the versatility, speed, and quality of a company's communications system, while saving substantial sums of money. Subscribers to AIRCON make no capital outlay and no long-term commitments.

In a climate of constantly expanding world markets and a trend toward more direct overseas investment by the American business community, the prospects for accelerating growth in international communications services are extremely encouraging.

Commercial Services

Our services to commerce and industry employ thousands of trained technicians who install and maintain the equipment we produce, from radar gear aboard ocean-going vessels to sound systems in more than 3,000 theaters.

One of the fast-growing businesses in the burgeoning service market is the commercial leasing of trucks and automobiles. Through The Hertz Corporation, we provide large and small enterprises with trucks and cars, from one to hundreds, in a broad variety of sizes, makes, and models. Fleets are kept in top running condition, suitably painted, licensed, insured, and maintained, with extra vehicles available for peak-use periods. In 1967, this business again registered substantial growth.

Hertz Equipment Rental Corporation, a subsidiary, is in the fast-growing construction equipment rental field. Operating from 25 locations across the country, this organization provides a variety of construction equipment in various sizes from small power tools to giant cranes.

Other Hertz subsidiaries provide a wide range of services, such as parking consultation to urban planners and developers, the construction and maintenance of displays used at trade shows and conventions, and net or finance leasing of a variety of commercial and industrial equipment.

The Government Market

Total expenditures by the federal government for final goods and services continue to grow. In 1967, this spending reached a level of \$90 billion. The amount allocated for electronics was \$11 billion—12 per cent of the total—and we expect this ratio to be about the same in 1968.

This nation's military commitments in Southeast Asia dominated Department of Defense expenditures at the cost of funds that might have been allocated to other areas. For example, the space program budget was reduced to \$4.5 billion, reflecting the absence of major projects beyond 1970.

However, RCA has gained new business in electronic equipment for tactical military use. In 1967, our government sales, principally for space and defense, accounted for 18 per cent of our total business volume.

Space

Despite reductions in the federal budget for the space effort, the national goal of reaching the moon remained unchanged. RCA made significant contributions in both the manned and unmanned phases of this program.

Our power supply and communications equipment was aboard all three Lunar Orbiter spacecraft that in 1967 successfully returned more than 1,100 detailed pictures of the moon, completely mapping the lunar surface in the process.

As a major participant in the Apollo program to place Americans on the moon, we delivered communications systems for both the Command and Lunar modules, the attitudes and translation control assembly, the descent engine control assembly, and the rendezvous radar. We also substantially completed delivery of an erectable antenna, which eventually will transmit television pictures directly from the moon to the earth.

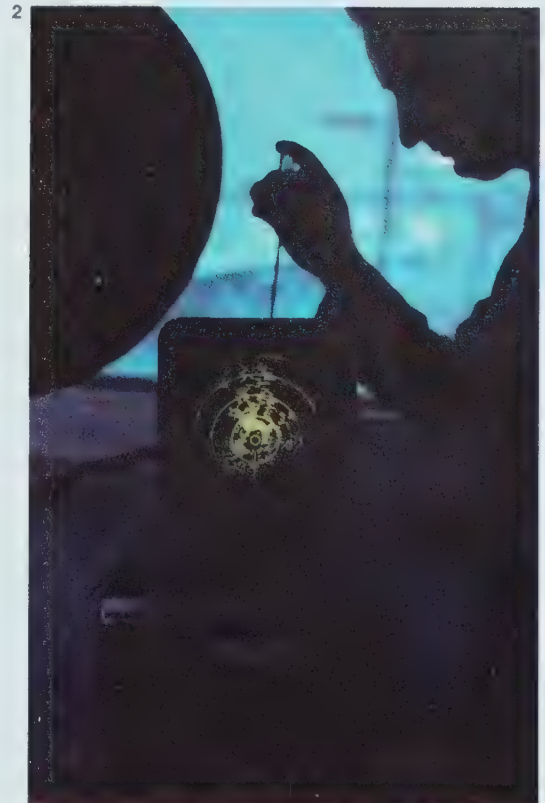
We also received contracts in 1967 to develop a voice-control device for an astronaut maneuvering unit and for the design of the personal communications unit to be used by astronauts walking on the moon's surface.

Our Saturn ground support computers were used to check out the huge Saturn 5 space-

craft before its maiden launch in November.

This country's most successful unmanned satellite program—the TIROS Operational System (TOS)—continued its accomplishments with textbook-perfect launchings of ESSA 4, 5, and 6. These weather satellites were designed and built by RCA. As a further step in this program, we received a \$30-million contract for a second-generation weather satellite, to be known as TIROS "M," scheduled for launching in 1969.

We undertook a major new space project in 1967 by winning a U.S. Navy contract to build 12 navigational satellites under the technical direction of the Applied Physics Laboratory at Johns Hopkins University. The addition of these navigational satellites to our space program places us in the forefront among makers of operational spacecraft.



1. RCA technician adjusts television transmission equipment in the communications center at the missile launching site on Cape Kennedy.

2. RCA airborne weather radar undergoes testing in West Los Angeles, Calif.



1. Saturn rocket being prepared for launch in Vehicle Assembly Building at Cape Kennedy.
2. These printed circuit boards are designed by RCA for testing of military missile systems.

Military

During 1967, we continued to make large-scale deliveries of communications equipment to the military. Although the emphasis was on high-quality, portable, tactical radio gear for field use, we also received major development contracts for the design and engineering of an ultra-reliable, ultra-high-frequency radio for the Air Force and Navy, as well as for a system of super-high-frequency tactical satellite communications terminals for the Army.

As a major supplier of radars for the country's space and defense programs, we have received additional contracts for the development and installation of new radars for several test ranges. These and other developments will strengthen our position as a leader in radar technology and could result in substantial contracts. RCA also delivered several tactical devices employing laser technology to various branches of the military.

During 1967, RCA was also selected by the Army to perform a major systems study on the Mallard Project, designed to develop a highly advanced communications capability for the field armies of the mid-1970s. Mallard is a multi-nation effort of the United States, United Kingdom, Canada, and Australia.

Advances in technology have created a number of new markets that are in a rapid growth stage. For the past several years, the government has spent in excess of \$100 million annually for the procurement of automatic test equipment. Most of these funds have been applied to items peculiar to a single prime system. However, the multi-system approach for test equipment, originally suggested by RCA for a major program for the Army, is now being adopted by the other services. As a result, we expect there will be an annual market of more than \$200 million for such systems by 1970.

2



Government Services

In addition to creating highly sophisticated electronic systems for the government, we furnish engineers, technicians, scientists, and management skills throughout the world to assist in various government programs. Our government contract teams acquire and process information from satellites, install missile launch and checkout equipment, operate and maintain critical communications links, and perform numerous technical support services, including systems engineering, documentation, computer programming, and training.

Under a contract with the Navy, we are responsible for the acquisition of test information at the Atlantic Undersea Test and Evaluation Center (AUTEC) in the Bahamas.

We hold long-standing contracts for operation and maintenance of major government electronic installations, such as the White Alice Communications System in Alaska, the Eastern Test Range, the international Ballistic Missile Early Warning System, and the National Aeronautics and Space Administration centers at Huntsville, Ala., and Greenbelt, Md.

The State Department and Department of Defense lease a number of international communication channels from RCA Communications, Inc. Altogether, our circuits carry a substantial part of the international communications initiated by all government agencies and departments.

We continue to provide the vital communications links between NASA headquarters in the United States and various overseas tracking locations, including voice/data and teletypewriter circuits to Europe, Africa, the Caribbean, Australasia, and several points in the Pacific.

State and Local Governments

Faced with the responsibilities of growing populations, mounting budgets, and deeper involvement in an ever-widening range of social problems, state and local governments are looking to high-speed information processing units for the help they need.

RCA now ranks among the leaders in this field, with nearly 50 installations across the country, many of them multiple systems with as many as 17 computers. Among the agencies employing our equipment in 1967 were New Jersey's Department of Labor, Florida's State Legislature, California's Department of Motor Vehicles, and Oklahoma's State Board of Vocational Education.

The nation's educational system is burdened today with a growing student population, rising costs, and increasingly complex subject matter. In an effort to avoid lowering standards in order to cope with the situation, educators now look to the electronics industry for new teaching aids and techniques based on communications technology.

The very size of the educational apparatus makes it difficult to put the many problems into a manageable perspective. More than 60 million Americans are engaged full-time in the nation's educational enterprise as students, teachers, or administrators. In addition, at any given moment, between 2.7 and 3 million workers are undergoing formal training, most of it sponsored by their employers.

Expenditures for education at all levels have been estimated at more than \$50 billion annually. Of this total, spending for educational hardware, ranging from the familiar audio-visual equipment to large-scale computer communications installations, exceeds \$1 billion a year, and no one can predict the extent of its future growth.

Computer-Based Instruction

Early in 1967, we entered the relatively new field of computer-based instruction with the formation of RCA Instructional Systems. This activity, with headquarters in Palo Alto, Calif., is developing and marketing systems that combine computers, communications channels, and display terminals to provide individual instruction to a large number of students.

The heart of this new activity is a series of varied computer-based instruction (CBI) techniques ranging from the simple function of testing to sophisticated systems for dialogue between student and machine. Working with RCA in the development of this technology is a group of prominent educators at Stanford University and elsewhere.

Our first CBI system is scheduled to be installed in 15 New York City public schools early in 1968. A Spectra 70/45 computer, with supporting peripheral equipment, including magnetic tape and disk units, will be connected with student terminals for individual use in the classrooms of the 15 schools. Each terminal can be used by an average of 30 students per day, and the system will serve some 6,000 youngsters working on drill and

practice lessons in such curriculum areas as reading, spelling, and mathematics.

The system has the important advantage of freeing teachers from the routine supervision of drill sessions to engage in more creative tasks. Furthermore, when it is not in use as an instructional device, the Spectra 70/45 can be employed to perform the multitude of administrative duties that take up so much valuable time.

We plan to bring many of our products and skills to bear in a continuing development program combining innovations in both programming and equipment to create comprehensive systems for education.

Instructional Electronics

RCA has been active for some time in the educational equipment market as a manufacturer of television systems, language laboratories, and audio-visual products.

In 1967, the State of Kentucky ordered 12 complete RCA UHF transmitter installations for its educational TV network. The \$4-million order was our largest single sale of broadcast equipment for any use.

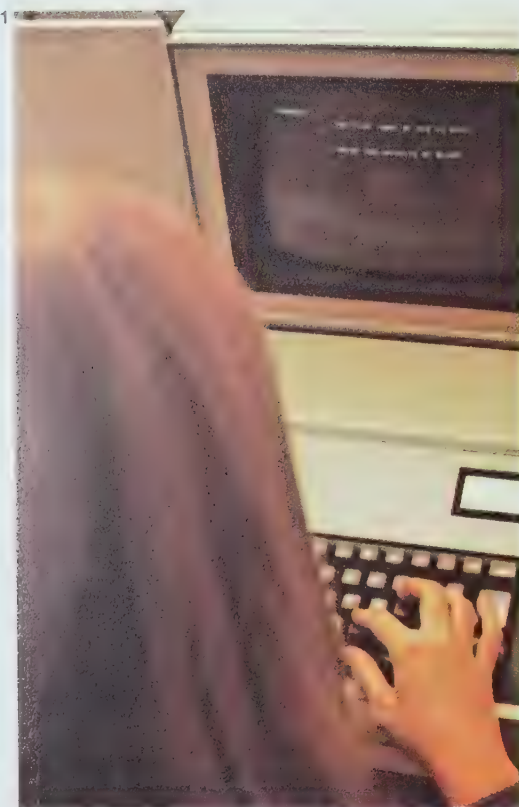
Earlier in the year, we introduced a new individual electronic study center where a student can use a dial selector to reproduce prerecorded lessons on a TV screen, while listening to the accompanying lecture through a headset.

Our Stereo 8 tape cartridges expanded beyond the sphere of recorded entertainment in 1967 with the introduction of four self-teaching language courses developed and produced for us by the internationally known Institute for Language Study. To aid students in learning mathematics by the new methods developed in recent years, we also produced a series of eight phonograph records entitled "The New Math."

Training

We have been directly involved in education and training for many years through RCA Institutes, Inc., which continued to expand both its curriculum and its student population in 1967.

Currently, there are more than 4,600 students who are enrolled in the Institutes' schools of television and electronic technology, and many times that number are taking courses in all phases of electronics through a Home Study program.





During the year, the Institutes also provided special training courses for a number of industries, government agencies, and labor unions, and offered seminars in advanced technology to engineers and scientists in cities throughout the nation.

In 1967, we continued operating two Job Corps Training Centers for the Office of Economic Opportunity. These centers—the McCoy Center for Men in Wisconsin and the Keystone Center for Women in Pennsylvania—are retraining more than 1,500 young people who have quit school and are now unable to get or

keep a job. In attempting to overcome the handicaps of background, environment, and substandard education, we have developed a program that integrates academic instruction, counseling, and vocational training. The objective is to equip the trainee with a salable skill and to improve every element of his life that bears on his continued employability.

A similar rehabilitation program was undertaken in 1967 for the Bureau of Indian Affairs. In an effort to help adapt the American Indian to urban living, we established a training center on the Choctaw Indian Reservation

at Philadelphia, Miss., to upgrade the basic education of both the men and women in the Indian family.

1. Youngster at video display unit of a computer-based instructional system at Palo Alto, Calif.

2. Students from 60 foreign nations are among more than 4,600 taking courses in electronic technology at RCA Institutes, Inc.

Japanese cameras in Africa, American recordings at music stores in Stockholm, and Italian motor scooters winding through evening traffic in Buenos Aires are all part of a vast international market activity that has been accelerated in the last quarter-century by modern communications and jet transport.

Worldwide industrial production continues to grow at an unprecedented rate, enlarging established markets and creating new ones for electronic products and services.

In 1967, anticipating the growing opportunities in the international market place, we reorganized our entire approach to RCA's business outside the United States. Each domestic product division was given full sales and operating responsibilities for its products in all markets overseas. These markets have been grouped for administrative purposes into four regions—Canada; Europe, Middle East, and Africa; Latin America; and the Far East.

Canada

Our Canadian subsidiary, RCA Victor Company, Ltd., in Montreal, is Canada's leading electronics enterprise and is engaged in many of the research and manufacturing activities that characterize RCA in the United States. Within RCA, the Canadian company has worldwide responsibility for engineering, manufacturing, and marketing of wideband communications equipment, and in 1967 it announced a \$7-million order from the Government of Mexico to supply it with two microwave systems, one linking Mexico City and Matamoros at the U.S. border, and the other linking Monterey and Matamoros.

The company also has worldwide responsibility for the design, engineering, and manufacture of commercial satellite ground stations, and is contending for a share of the \$400-million world market represented by the more than 60 ground stations scheduled to be in service before 1971.



In 1967, RCA Victor Company, Ltd., announced plans for the construction of large new recording studios in Montreal. It also dedicated a new color picture tube factory in Ontario. Together with a new cabinet plant and an enlarged TV receiver assembly plant, this new facility emphasizes the company's determination to retain its position as the leader in Canada's fast-growing color television market.

Overseas Markets

In preparation for the spread of color television in Europe, we began color picture tube assembly operations during 1967 at the new plant of RCA Colour Tubes Limited, in England. In the European Economic Community, RCA Colore S.p.A. was established in Italy as a wholly owned subsidiary and is initially devoting its efforts to sales in the Common Market of color picture tubes imported from other RCA manufacturing facilities.

Preparations were made for RCA Great Britain Limited to take over the manufacture and distribution of our records in the British Isles by June 1, 1969. In the past, they have been produced and distributed by another company under a licensing agreement.

In Latin America, major exhibits of our broadcast equipment, including color, were



arranged during 1967 in principal countries in order to strengthen our position in the growing market for these products. One of our Latin American manufacturing facilities, a new computer memory plane feeder plant in Mexico City, was expanded during the year.

A second feeder operation for memory planes was established in Taiwan (Formosa) in 1967. Our capacity for domestic manufacture of memory devices has been strained, and we expect the added production capabilities outside the United States to ease

some of our manufacturing burdens.

Early in the year, we initiated commercial operation of a satellite ground station located near Bangkok, Thailand. The new facility provides continental Southeast Asia with its first direct access to a global satellite communications system.

In Australia, work began in 1967 on a new building which will house all of our manufacturing and administrative facilities in that country, and adjacent land was set aside for the construction of recording studios.

1. A phonograph record produced at RCA's manufacturing plant in Italy.

2. Seen through three layers of soundproof glass, technicians test sound equipment at RCA's recording studios in Rome.

Research and Development

RCA Laboratories at Princeton, N.J., marked its 25th anniversary in 1967. A four-day program, which attracted more than 200 representatives of science, industry, government, and education, and 10,000 other visitors, featured scores of working exhibits of the Laboratories' latest achievements in research.

These differed considerably from the type of work carried out 25 years ago when the major emphasis was on invention and the development of products associated with television, communications, and military electronics. Today, much of the develop-

ment and applied research is done within the various product divisions. This allows the Laboratories to devote its principal efforts to more basic long-range research relating to useful electronic phenomena and materials that can lead to new technical building blocks for our future products. In addition, the research organization coordinates corporate-wide task forces in the creation of new electronic systems.

Among our major research achievements in 1967 was a tiny integrated electronic circuit that provides the basis for a new type



of high-speed auxiliary, or scratch-pad, computer memory. An experimental unit has been built, and it is expected to lead to similar memories that can process information at a rate of about 20 million words per second.

Another major innovation was an experimental system known as "Homefax," which can broadcast printed copy into the home along with standard TV programming through an electronic "hitchhiking" technique. The broadcast copy is reconverted to print in an attachment fixed to the television receiver without affecting regular program reception in any way on the channel to which the set is tuned.

During the latter half of 1967, on-the-air Homefax tests were conducted under authorization of the Federal Communications Commission. However, several years of work remain in marketing research as well as technical development before Homefax can be introduced to the public.

Development

In the progression from innovation to ultimate use in a market, virtually every product passes through a stage when it is safely out of the laboratory but not yet in mass production.

A recent example in RCA is a radically new type of computer memory that promises to have a far-reaching influence upon the design of large computers. Known as the cryoelectric memory, it makes possible for the first time extremely large and fast memories needed by the coming generation of computers, and at a very low cost that will make them commercially feasible. These units can store up to a billion bits of data and operate several times faster than present mass-information storage units. Memory planes, no larger than 4½ by 5½ inches, have been made, containing more than 250,000 cells.

Research Products

A wide variety of specialized RCA products and systems is used by a large number of research institutions throughout the world. One of the most notable examples is the electron microscope, which we introduced commercially in 1939 and have since improved with new modifications on a number of occasions.

In 1967, we entered high-voltage electron microscopy, an exciting new field expected to unfold secrets of the heretofore unseen world of matter. A one-million-volt electron microscope, the most powerful instrument of its kind ever built in the United States, was delivered and placed in operation by the U.S. Steel Corporation. In addition, a half-million-volt instrument was built for the University of Virginia. Both microscopes will be used in metallurgical research.

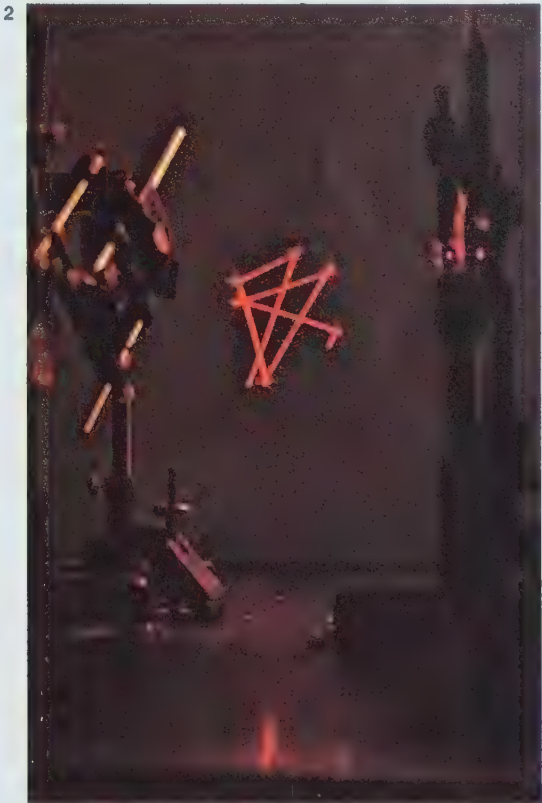
During 1967, we completed construction of the world's most powerful superconductive magnet for the Lewis Research Center of the National Aeronautics and Space Administration. The magnet produces magnetic fields 280,000 times stronger than that of the earth's. Large-volume, high magnetic fields are required for experiments in high-energy physics, plasma research, biomedical studies, and nuclear research. RCA is a pioneer in this field, and more than a dozen of our superconductive magnets are now in use in various high-field research applications at laboratories in the United States and abroad.

Medical Electronics

For the past 20 years, much research has gone into the discovery and development of electronic devices and techniques for the medical profession. There is now a solid base of knowledge ready to be translated into a product technology that will provide many instruments for the practicing physician in his office, laboratory, operating room, or on house calls. It is estimated that the market for new medical hardware is now approximately \$200 million a year and that it will reach \$1 billion by 1980.

To serve this market, we have undertaken a program in cooperation with Hoffmann-La Roche Inc., a leading pharmaceutical firm, to develop, manufacture, and market medical instruments. The first product of this effort is expected to be introduced in 1968.

- 1. RCA scientist uses a light source to write in color directly on light-sensitive material. Technique will find uses in information storage and retrieval.
- 2. Random laser pattern is created as RCA scientists investigate laser beam deflection for applications in data processing.



At the end of 1967, the worldwide total of RCA employees stood at 128,000. To meet the continuing need for college-trained employees, 270 campus recruiting visits were made to more than 200 colleges and universities. In accordance with RCA's policy of Equal Employment Opportunity, minority groups at all levels were provided with a wide variety of employment opportunities.

The training, education, and development of RCA employees to improve their job performance was made possible through the use of existing programs and by the implementation of new programs. With the attitude that learning is a lifelong undertaking, approximately 5,500 employees attended evening classes in 125 colleges and universities for which the company reimbursed tuition costs under the Tuition Loan and Refund Program; engineering managers studied mathematical, scientific, and technological concepts newly developed since their formal college education was completed.

RCA's Retirement Plan was amended effective January 1, 1968, to conform to labor union agreements entered into after extensive negotiations during 1967. It continues to be a uniform plan applying equally to RCA officers and regular employees, union and non-union, and a contributory plan under which retirement benefits are provided by contributions of employees from their salaries and wages and by contributions of the Corporation.

The principal improvement is an increase in the benefits of employees whose accrued benefits on December 31, 1966, did not reach prescribed levels. Among the other principal changes were increased minimum benefits, decreased employee contributions, a higher interest rate on refunded employee contributions, and a reduction in the eligibility requirement from three to two years of service. Provisions were also included for increasing the benefits of employees already retired.

If the number of employees who are members of the Plan, general pay levels, employee turnover, age levels, and other factors affecting Retirement Plan costs remain approximately the same, it is estimated that the cost to the Corporation of adopting these amendments will be about \$7,900,000 a year for 12 years and \$3,800,000 a year thereafter. It is anticipated that the cost of these improvements will be substantially offset by reduction in the Plan's liabilities resulting from changes in valuation assumptions and methods.

All major labor agreements were opened

for negotiations during 1967. Nationally, this was the most turbulent labor relations year in recent history. In this unfavorable climate, RCA did not escape unscathed. A month-long strike was called by electrical workers (IBEW) and disrupted production in nine manufacturing plants. Three other work stoppages were staged by represented employees in other areas of the Corporation, but operations continued at a satisfactory level during the disputes. These strikes involved a four-week walkout by members of an engineers union (ASPEP) in the Camden, N.J., area, a two and one-half week strike by artists, performers, and newsmen (AFTRA) at NBC, and a strike, beginning at year end, of communications workers (CWA) at RCA Communications, Inc. By the end of 1967, 115 new labor agreements, affecting about 53,000 employees, were negotiated. The settlements were realistic and in line with others negotiated recently in the industry.

Financial Summary

Financial results for 1967, continuing the trend of recent years with new records in both sales and profits, are set forth in the consolidated financial statements on pages 39 to 45. These statements include the accounts of RCA and its wholly owned domestic subsidiaries, principal among which are RCA Communications, Inc., RCA Sales Corporation, RCA Victor Distributing Corp., National Broadcasting Company, Inc., and Random House, Inc. Also included are the accounts of The Hertz Corporation, which was merged into RCA on May 11, 1967.

The merger with Hertz was accomplished by an exchange of 1,220,262 shares of RCA \$4 first preferred stock, convertible into 2,440,524 shares of RCA common stock, and 1,896,362 shares of RCA common stock for all of the outstanding shares of Hertz preferred and common stocks, and the continuing operation of Hertz as a wholly owned subsidiary of RCA. This transaction was accounted for as a pooling of interests so that the results of Hertz operations, including Hertz foreign subsidiaries, are included in RCA consolidated financial data, and historical consolidated financial data for prior years have been restated to include the accounts of Hertz.

Net sales of \$3,027,216,000 in 1967 by RCA and its consolidated subsidiaries, a record, exceeded the \$3-billion level for the first time, and showed an increase of 5 per cent over the \$2,891,975,000 of net sales in 1966.

Net profit of \$147,509,000 in 1967, also a record, showed an increase of \$3,050,000 or 2.1 per cent over 1966 net profit of \$144,459,000, and was achieved in spite of the month-long strike at nine of our manufacturing plants last June, related increases in employment costs, and substantial 1967 increases in depreciation, rent, taxes, and interest. Based upon the average number of shares outstanding during the respective years, net profit per share of common stock in 1967 was \$2.27 as compared with \$2.26 in 1966, when about one million fewer shares of RCA common stock were outstanding.

Cash dividends totaling \$.85 a common share were declared in 1967, with the cash dividend declared in the fourth quarter of 1967 increased to \$.25 a share, 25 per cent above the previous regular quarterly rate of \$.20 a share.

Sales and other income of RCA and its consolidated subsidiaries in 1967 included:

	Amount	Per cent	
	1967	1967	1966
Commercial products and services	\$1,441,091,000	48	47
Broadcasting, publishing, and communications	675,179,000	22	22
U.S. Government contracts	548,278,000	18	19
Auto rentals and related activities	362,668,000	12	12
Total, including \$212,390,000 from foreign sources	<u>\$3,027,216,000</u>	<u>100</u>	<u>100</u>

The ratio of consolidated net profit to sales for the year 1967 was 4.9 per cent. The highest ratio of net profit to sales was achieved by the Broadcasting, publishing, and communications group, followed by Commercial products and services, while the lowest percentage was realized on U.S. Government contracts.

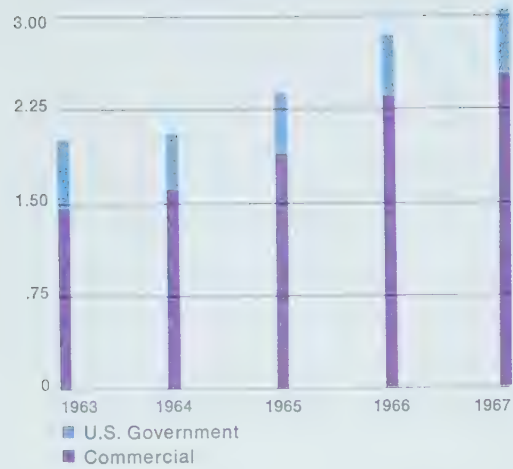
Major elements of 1967 operating cost and the relationship of each element to total sales, together with comparable ratios for 1966, were as follows:

	Amount	Per cent to Sales	
	1967	1967	1966
Wages and salaries, including payments for vacations and holidays	\$1,004,138,000	33.2	33.0
Company contribution to retirement plans	18,140,000	.6	.6
Social security, group insurance, and other employee benefits	75,707,000	2.5	2.4
Total employment cost	1,097,985,000	36.3	36.0
Materials and services purchased	1,391,389,000	45.9	46.2
Depreciation, rent, taxes, and interest	265,833,000	8.8	8.4
Total operating cost, not including federal taxes on income	<u>\$2,755,207,000</u>	<u>91.0</u>	<u>90.6</u>

The \$18,140,000 cost of retirement plans includes company contributions of \$17,847,000 to the RCA Retirement Plan and \$293,000 to the separate plans for Hertz employees which were continued after the merger. Benefits to employees under certain of these programs were increased effective January 1, 1968; the increased net cost for 1968 and subsequent years is not expected to be material.

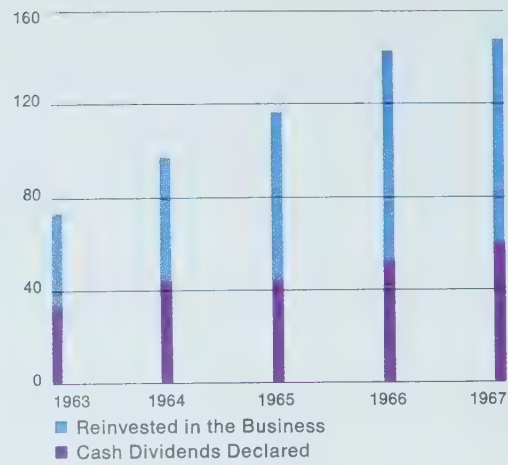
Products & Services Sold

In Billions of Dollars



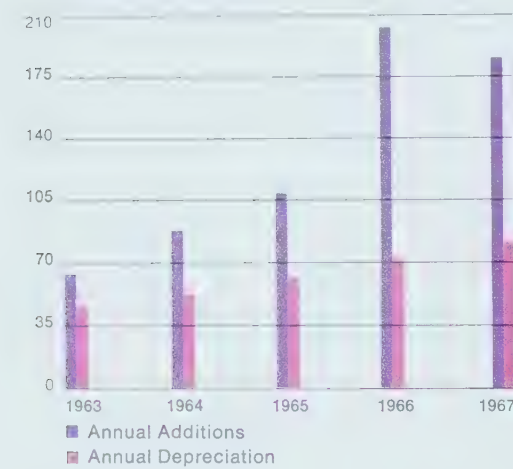
Net Profit for Year

In Millions of Dollars



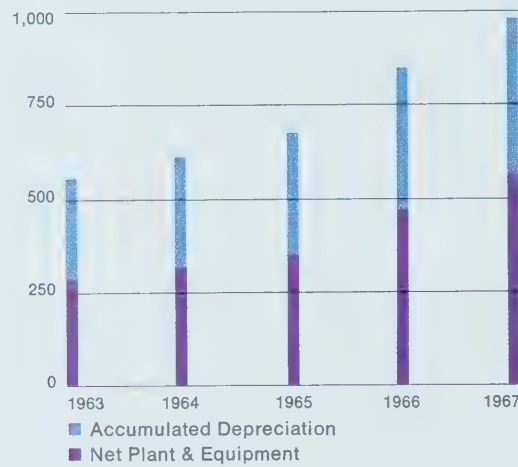
Plant & Equipment Additions & Depreciation

In Millions of Dollars



Total Plant & Equipment at Year End

In Millions of Dollars



Unconsolidated Foreign Subsidiaries

In Millions of Dollars



Shareholders at Year End

Total 330,000



Our total employment cost also included \$14,000,000 credited to the reserve for incentive compensation under the RCA Incentive Plan and \$2,468,000 set aside under the Hertz bonus program for Hertz employees who, as a group, have not yet been included under the RCA Incentive Plan. Studies are in progress to determine the feasibility of integrating the Hertz bonus program and the RCA Incentive Plan.

Maximum annual credit to the Incentive Reserve under the RCA Incentive Plan is equal to the smaller of the computed maximum credits set forth in the following tabulation:

Net Profit for Year	\$134,984,000
Add back: Provision for incentive awards	14,000,000
Interest on long-term debt	13,716,000
Incentive Plan Net Earnings	<u>162,700,000</u>
Less: 5 per cent of Capital Employed (\$1,044,192,000)	<u>52,210,000</u>
Incentive Plan Base	<u>\$110,490,000</u>
Maximum Credit Based on Earnings—15 per cent of Incentive Plan Base	<u>\$ 16,573,000</u>
Maximum Credit Based on Dividends—25 per cent of dividends paid in year (\$103,560,000)	<u>\$ 25,890,000</u>

The foregoing tabulation includes amounts for RCA and consolidated subsidiaries except Hertz, as required by the terms of the Plan after giving effect to the decision by the RCA Incentive Committee that, until Hertz employees are eligible to participate in the RCA Incentive Plan, maximum credits to the Plan's Incentive Reserve shall not exceed the amount that could have been credited to that reserve had the operations of Hertz and its subsidiaries not been consolidated with those of RCA.

From the available RCA Incentive Reserve balance of \$15,367,000, including \$1,367,000 unawarded in prior years, \$13,647,000 was awarded to employees of RCA and its subsidiaries other than Hertz. Shares of treasury stock will be distributed for the 23 per cent payable in RCA common stock. Payments of \$4,305,000 on 1967 awards are to be made in March, 1968, and the balance will be payable in annual installments through January, 1972, subject to the earning-out provisions of the Plan.

The Hertz bonus program permits Hertz and its subsidiaries to set aside up to 10 per cent of consolidated net profit each year, before deduction of federal income taxes and such bonus compensation, for the payment of incentive compensation to executive, administrative, and managerial employees. Payments of \$2,333,000 in awards to Hertz employees for 1967 under the Hertz bonus program will be completed in the first quarter of 1968.

Effects of the merger with Hertz are also to be noted in the statement of consolidated financial position, where a new asset category has been added to set forth the first cost and net book value of Hertz vehicles and other revenue-earning equipment. A new category of liabilities also is included for the first time to set forth the revolving credit notes and other debt of Hertz which have not been assumed or guaranteed by RCA but are related to the revenue-earning equipment.

Net working capital increased \$144,640,000 to \$718,746,000 at December 31, 1967, including increases of \$56,585,000 in accounts receivable in line with increased sales, and \$46,188,000 in prepaid expenses, principally for feature films and other NBC program material. Current liabilities were reduced \$37,436,000 during 1967, principally attributable to the acceleration of federal income tax payments as required by current tax law and regulations. The year-end ratio of current assets to current liabilities was 2.6 in 1967 and 2.2 in 1966.

Our investments, totaling \$75,848,000 exclusive of treasury stock, increased by \$22,818,000 in 1967, owing largely to additional investment of foreign-source funds in connection with color picture tube production facilities in Canada and Great Britain, and purchase of the minority interest in RCA Italiana. The total carrying value of our participation in the equities of unconsolidated foreign subsidiaries was \$45,599,000 at December 31, 1967, when their underlying net assets were \$63,882,000. These foreign subsidiaries earned \$1,891,000 in 1967 on combined net sales of \$144,532,000 and contributed to 1967 net income of RCA by the payment of \$6,478,000 in dividends during the year. During 1967, our investment in the common stock of the Whirlpool Corporation was substantially eliminated by the sale of 46,000 shares at a profit of \$1,201,000, net of taxes and related expenses.

Plant and equipment of RCA and consolidated subsidiaries was expanded during 1967 by additions of \$186,209,000, which increased total first cost to \$997,579,000 and net book value to \$559,569,000 at year end. These additions included investment by RCA Communications in satellite communication

channels and related ground installations, improvements in NBC's color broadcasting facilities, completion of facilities expansion programs begun in 1966 for color television picture tubes and sets and semiconductor devices, and increase in productive capacity for electronic data processing equipment. Investment tax credit of \$4,790,000 earned on acquisitions of plant and equipment during the year, together with \$626,000 amortization of investment tax credit related to Hertz revenue-earning equipment, was applied to reduce the 1967 federal income tax provision. First cost of assets sold or retired during the year was \$44,304,000; the net book value of these assets was \$19,119,000.

Depreciation of plant and equipment acquired prior to 1954, and standard manufacturing facilities acquired in 1954 and subsequent years, has been computed on a straight-line basis over estimated useful lives that are revised as facility requirements change. Depreciation on more specialized facilities acquired since 1953 has been computed on an accelerated basis with the result that depreciation provisions in early years of estimated useful life are greater than those computed on a straight-line basis, declining to smaller provisions in subsequent years. Depreciation of Hertz revenue-earning equipment has been computed on a straight-line basis over useful lives which range from three to ten years. Maximum depreciation allowable for tax purposes under current Internal Revenue Service guidelines has been deducted in the calculation of federal income tax payable for 1967, and provision has been made for the related deferred federal income tax liability.

Recognizing a continuing requirement for additional funds to finance our expected growth in both sales of manufactured electronic equipment and leasing of electronic data processing equipment, a decision was reached in mid-1967 to extend to December 31, 1969, the \$150,000,000 Revolving Credit Agreement with banks, against which borrowings were made and repaid during 1967. Additional general financing was obtained by a rights offering to shareholders, as set forth in a Prospectus dated July 14, 1967, relating to a principal value of \$160,000,000 of 4½ per cent subordinated debentures due August 1, 1992, and convertible into RCA common stock at \$59 a share. Financial statements for 1967 include interest on this debt as well as proportionate amortization of expenses incurred in connection with its issuance, but do not include recognition of any amount related to the convertibility feature of the securities. Funds derived from the convertible debenture issue were added to working capital.

Continuation of our growth and development program involving increased investments in subsidiary companies outside the United States was subjected to the government controls over private investments abroad announced by President Johnson on January 1, 1968. Shortly thereafter, to insure availability of funds as needed for foreign investment, we sold outside the United States \$50,000,000 principal value of 20-year 5 per cent sinking fund debentures of RCA International Development Corporation, convertible into RCA common stock at \$55 a share and fully guaranteed by RCA.

Shareholders' equity was increased by \$90,164,000 during 1967, primarily represented by the record 1967 net profit of \$147,509,000, less cash dividends of \$59,654,000 declared during the year. Shares of stock outstanding were increased by issuance on various dates during 1967 of 188,832 shares of common stock and 10,080 shares of \$4 convertible first preferred stock to key employees upon exercise of stock options described in Note 5 to the financial statements, and by 1,732 shares of common stock issued upon conversions of \$4 convertible first preferred stock and 4½ per cent convertible subordinated debentures.

	1967	1966
Sales and other income		
Product sales	\$1,751,647,000	\$1,692,415,000
Broadcasting, product services, communications, and other services	1,262,427,000	1,186,734,000
Interest on short-term investments	1,084,000	6,305,000
Other interest, dividends, and income	12,058,000	6,521,000
Total sales and other income	<u>3,027,216,000</u>	<u>2,891,975,000</u>
Cost of operations		
Cost of product sales	1,256,430,000	1,248,645,000
Cost of broadcasting, product services, communications, and other services	811,674,000	775,075,000
Selling, general, and administrative expenses	421,270,000	354,616,000
Depreciation	150,699,000	140,911,000
Rent	46,280,000	42,002,000
State, local, foreign, and miscellaneous taxes	39,492,000	35,348,000
Interest on long-term debt	29,362,000	24,044,000
Total cost of operations	<u>2,755,207,000</u>	<u>2,620,641,000</u>
Profit before federal taxes on income	272,009,000	271,334,000
Federal taxes on income, less investment credit	<u>124,500,000</u>	<u>126,875,000</u>
Net profit for year	147,509,000	144,459,000
<i>Per share of common stock, based on the weighted average number of shares outstanding: 1967, \$2.27; 1966, \$2.26</i>		
Reinvested earnings at beginning of year	<u>273,804,000</u>	<u>234,612,000</u>
	<u>421,313,000</u>	<u>379,071,000</u>
Cash dividends declared		
\$3.50 first preferred stock	638,000	645,000
\$4 convertible first preferred stock	4,903,000	—
Common stock: 1967, \$.85 per share; 1966, \$.80 per share	52,714,000	47,384,000
Hertz dividends before merger	1,399,000	5,298,000
2% stock dividend declared on common stock	—	51,530,000
Repurchase of preferred stock		
Excess of repurchase price over stated value of \$3.50 first preferred stock:		
1967, 2,760 shares; 1966, 6,400 shares	<u>161,000</u>	<u>410,000</u>
	<u>59,815,000</u>	<u>105,267,000</u>
Reinvested earnings at end of year (Note 3)	<u>\$ 361,498,000</u>	<u>\$ 273,804,000</u>

Consolidated Financial Position

December 31, 1967 and 1966

Assets	1967	1966
Current assets		
Cash	\$ 129,882,000	\$ 139,235,000
Short-term investments, at cost (approximate market)	45,652,000	28,888,000
Receivables		
U.S. Government	57,258,000	44,701,000
Other (less reserve: 1967, \$17,201,000; 1966, \$16,458,000)	420,162,000	376,134,000
Inventories, at lower of cost or market		
Plant inventories and government contracts (less progress payments: 1967, \$50,828,000; 1966, \$40,100,000)	202,607,000	257,200,000
Finished goods	181,297,000	129,684,000
Prepaid expenses	143,468,000	97,280,000
Total current assets	<u>1,180,326,000</u>	<u>1,073,122,000</u>
Revenue-earning equipment of Hertz		
Vehicles, at cost	334,466,000	318,339,000
Less accumulated depreciation	<u>95,104,000</u>	<u>90,158,000</u>
	239,362,000	228,181,000
Other equipment (net)	<u>21,847,000</u>	<u>19,512,000</u>
	<u>261,209,000</u>	<u>247,693,000</u>
Investments		
Investments, at cost or less	75,848,000	53,030,000
RCA common stock held in treasury, at cost (Note 4):		
1967, 161,323 shares; 1966, 193,610 shares	<u>6,844,000</u>	<u>7,531,000</u>
	<u>82,692,000</u>	<u>60,561,000</u>
Plant and equipment		
Land and buildings	308,583,000	283,871,000
Machinery and equipment, including equipment leased to customers	<u>688,996,000</u>	<u>571,803,000</u>
Total, at cost	997,579,000	855,674,000
Less accumulated depreciation	<u>438,010,000</u>	<u>383,424,000</u>
	<u>559,569,000</u>	<u>472,250,000</u>
Total assets	<u>\$2,083,796,000</u>	<u>\$1,853,626,000</u>

Liabilities and Shareholders' Equity**1967****1966****Current liabilities**

Accounts payable and accruals	\$ 416,223,000	\$ 410,604,000
Federal taxes on income	26,950,000	75,107,000
Dividends payable	18,407,000	13,305,000
Total current liabilities	461,580,000	499,016,000

Revolving credit notes and other debt of Hertz (Note 2)	251,160,000	247,138,000
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Other non-current liabilities

Incentive plan (Note 4)	26,358,000	23,180,000
Deferred federal taxes on income, related to depreciation	57,439,000	49,760,000
Public liability and property damage	14,552,000	11,441,000
	98,349,000	84,381,000

Long-term debt of RCA (Note 3)	422,890,000	263,438,000
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Shareholders' equity**Capital stock, no par, at stated value**

\$3.50 cumulative first preferred stock; authorized 185,000 shares; outstanding: 1967, 180,879 shares; 1966, 183,639 shares (preference on liquidation \$100 per share: 1967, \$18,087,900; 1966, \$18,363,900)	2,927,000	2,971,000
Cumulative series first preferred stock; authorized 2,000,000 shares \$4 convertible first preferred stock (Notes 5 and 7); authorized 1,265,000 shares; outstanding: 1967, 1,229,452 shares; 1966, 1,219,863 shares (preference on liquidation \$100 per share: 1967, \$122,945,200; 1966, \$121,986,300)	9,836,000	9,759,000
Common stock (Notes 3, 5, and 7); authorized 80,000,000 shares; issued: 1967, 62,728,980 shares; 1966, 62,538,498 shares	41,819,000	41,692,000
Capital surplus (Note 6)	433,737,000	431,427,000
Reinvested earnings (Note 3)	361,498,000	273,804,000
	849,817,000	759,653,000

Total liabilities and shareholders' equity	\$2,083,796,000	\$1,853,626,000
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Consolidated Statement of Funds

Years ended December 31, 1967 and 1966

	1967	1966
Cash funds provided by		
Operations		
Net profit for year	\$147,509,000	\$144,459,000
Provisions not requiring current cash funds		
Depreciation	150,699,000	140,911,000
Deferred taxes related to depreciation	7,679,000	2,786,000
Total cash flow from operations	305,887,000	288,156,000
Sale of common shares under options	4,355,000	3,245,000
Issuance of 4½ % convertible subordinated debentures	160,000,000	—
Revolving credit notes and other debt of Hertz	4,022,000	53,543,000
Total cash funds provided	<u>474,264,000</u>	<u>344,944,000</u>
 Cash funds used for		
Dividends declared on preferred and common stock	59,654,000	53,327,000
Plant and equipment, less net book value of disposals: 1967, \$19,119,000; 1966, \$6,917,000	167,090,000	198,788,000
Revenue-earning equipment of Hertz, less net book value of disposals: 1967, \$155,885,000; 1966, \$138,220,000	84,444,000	102,328,000
Increase in net current assets	137,229,000	173,068,000
Increase in investments, less increase in deferred liabilities	18,436,000	8,775,000
Total cash funds used	<u>466,853,000</u>	<u>536,286,000</u>
Net increase (decrease) in cash funds	<u>\$ 7,411,000</u>	<u>(\$191,342,000)</u>
 Cash and short-term investments		
Beginning of year	\$168,123,000	\$359,465,000
End of year	<u>175,534,000</u>	<u>168,123,000</u>
Net increase (decrease) in cash funds	<u>\$ 7,411,000</u>	<u>(\$191,342,000)</u>

1. Principles of Consolidation: The accompanying financial statements include the accounts of RCA and its active domestic subsidiaries, and have been retroactively restated to include The Hertz Corporation (and its subsidiaries, including foreign subsidiaries), which was merged into RCA on May 11, 1967, in a pooling of interests. Consolidation of other RCA foreign subsidiaries would not materially affect the accompanying financial statements.

2. Revolving Credit Notes and Other Debt of Hertz: Debt of The Hertz Corporation and its subsidiaries, which has not been assumed or guaranteed by RCA and is without recourse to RCA, included the following at December 31, 1967:

Revolving credit notes, 6¼ %	\$ 85,050,000
Promissory notes	
5½ % , due 1972 to 1981	40,000,000
5¼ % , due 1977 to 1986	20,000,000
5⅞ % , due 1978 to 1987	40,000,000
Subordinated promissory notes	
Senior 5½ % , due 1971 to 1980	15,000,000
Junior 5½ % , due 1983 (with \$750,000 annual prepayments)	13,500,000
Revolving bank loans and other debt of Hertz subsidiaries, 5% to 11%	37,610,000
Total	<u>\$251,160,000</u>

3. Long-Term Debt of RCA and Reinvested Earnings: Long-term debt of RCA outstanding at December 31, 1967, consisted of:

Promissory notes	
3% , due 1970 to 1974	\$100,000,000
3¾ % , due 1973 to 1977	50,000,000
5⅜ % , due 1977 to 1986	100,000,000
Convertible subordinated debentures	
4½ % , due August 1, 1992	159,953,000
Purchase money mortgages payable in installments to 1989	12,937,000
Total	<u>\$422,890,000</u>

The subordinated debentures are convertible into RCA common stock at \$59 per share, and 2,711,067 shares of RCA common stock have been reserved for this purpose. The terms of the subordinated debentures require retirement of a minimum of \$7,000,000 principal amount each year beginning in 1978; they also impose limitations on the payment of cash dividends and the purchase by RCA of its capital stock, as do the terms of the promissory notes. At December 31, 1967, consolidated reinvested earnings of \$213,884,000 were free of such limitations. There has been no recognition of any amount possibly attributable to the conversion privilege contained in the 4½ % subordinated debentures; such amount would not be material.

As of February 1, 1968, \$50,000,000 principal value of 20-year 5 per cent sinking fund debentures of RCA International Development Corporation, convertible into RCA common stock at \$55 a share and fully guaranteed by RCA, were issued to purchasers outside the United States.

4. Incentive Compensation: The maximum 1967 credit to the reserve under the RCA Incentive Plan was \$16,573,000; the Incentive Committee directed that \$14,000,000 be credited to the reserve, and that \$13,647,000, including 23 per cent payable in RCA common stock, be awarded for 1967. Employees of The Hertz Corporation, covered by a separate bonus program, were awarded \$2,333,000 for 1967.

5. Stock Options: Under the stock option plan approved by shareholders in 1957 and amendments thereto approved by shareholders in 1960 and 1965, options may be granted to key employees selected by a committee of the Board of Directors for the purchase, within a maximum period of five years (10 years prior to 1964), at a price not less than fair market value at the date of grant, of shares of common stock from the Corporation's treasury or from authorized but unissued shares. Options that have been granted are exercisable in cumulative annual installments of 20 per cent, beginning with 20 per cent at date of grant.

At December 31, 1967, options under this plan were outstanding to key employees for the purchase of 417,117 shares of RCA common stock at prices ranging from \$12.17 to \$61.38 a share, equal to market prices at the date the options were granted, and averaging \$36.19 a share; options on 260,521 shares were exercisable at that date and 81,506 shares were available for future grants. During 1967, options on 25,250 shares were granted; options on 2,877 shares were canceled; and options on 153,054 shares were exercised at prices ranging from \$12.13 to \$44.24, and averaging \$16.86 a share. At December 31, 1966, options were outstanding on 547,798 shares and 103,879 shares were available for future grants.

RCA assumed the options outstanding to employees of Random House when that company was acquired by RCA in 1966. During 1967, options on 158 shares were canceled, and options on 15,614 shares were exercised at prices ranging from \$15.23 to \$22.05, and averaging \$19.78 a share. At December 31, 1967, options on 2,496 shares, which expire at various dates to August 13, 1972, were outstanding and exercisable by Random House employees.

Under the terms of the Hertz merger, RCA also assumed the options outstanding to employees of Hertz, substituting a unit consisting of $\frac{1}{2}$ share of RCA common stock and $\frac{1}{4}$ share of RCA \$4 convertible first preferred stock for each optioned share of Hertz common stock. During 1967, options on 20,164 shares of RCA common stock and 10,080 shares of RCA \$4 convertible first preferred stock were exercised at unit prices ranging from \$30.75 to \$40.31, and averaging \$36.33 a unit. At December 31, 1967, options on 33,804 shares of RCA common stock and 16,887 shares of RCA \$4 convertible first preferred stock, which expire at various dates to March 23, 1972, were outstanding and were exercisable to the extent of 16,642 shares of RCA common stock and 8,321 shares of RCA \$4 convertible first preferred stock.

6. Capital Surplus: During 1967, capital surplus was increased as a result of the following transactions in RCA capital stock: issuance of 188,832 shares of common stock and 10,080 shares of \$4 convertible first preferred stock under stock options for \$4,146,000 more than stated value; distribution of 55,624 treasury shares of common stock under the RCA Incentive Plan at award values \$16,000 more than cost; issuance of 766 shares of common stock upon conversion of \$47,000 of 4½ % Convertible Subordinated Debentures for \$45,000 more than stated value; issuance of 966 shares of common stock upon conversion of 483 shares of \$4 convertible first preferred stock for \$3,000 more than stated value. Capital surplus was reduced by \$1,900,000 of expenses related to the Hertz merger.

7. \$4 Convertible First Preferred Stock: Each outstanding share of \$4 convertible first preferred stock may be converted at the option of the holder into two shares of RCA common stock, and 2,458,904 shares of RCA common stock have been reserved for this purpose. RCA may redeem the \$4 convertible first preferred stock on or after May 11, 1972, at an initial price of \$105 per share.

8. Pension Plans: During 1967, the actuarially determined cost of retirement plans for employees of RCA and consolidated subsidiaries was \$18,140,000, largely for current service benefits that are currently funded. At December 31, 1967, there was no material unfunded liability for past service benefits.

To the Shareholders of Radio Corporation of America

We have examined the accompanying statement of financial position of Radio Corporation of America and Consolidated Subsidiaries at December 31, 1967 and the related statements of earnings and reinvested earnings, and funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. It was not practicable to confirm amounts due from the United States Government, as to which we satisfied ourselves by means of other auditing procedures.

In our opinion, the statements mentioned above present fairly the financial position of Radio Corporation of America and Consolidated Subsidiaries at December 31, 1967, the results of their operations and the source and use of their funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Arthur Young & Company

New York, N. Y., February 19, 1968

Transfer Agents

The Corporation Trust Company, 277 Park Avenue, New York, N. Y. 10017
The First National Bank of Chicago, Dearborn, Monroe and Clark Streets, Chicago, Ill. 60690

Registrars, \$3.50 First Preferred Stock

The Chase Manhattan Bank, N.A., 80 Pine Street, New York, N. Y. 10015
Continental Illinois National Bank and Trust Company of Chicago, 231 South La Salle Street, Chicago, Ill. 60690

Registrars, \$4 Convertible First Preferred Stock

Chemical Bank New York Trust Company, 20 Pine Street, New York, N. Y. 10015
Continental Illinois National Bank and Trust Company of Chicago, 231 South La Salle Street, Chicago, Ill. 60690

Registrars, Common Stock

Chemical Bank New York Trust Company, 20 Pine Street, New York, N. Y. 10015
Continental Illinois National Bank and Trust Company of Chicago, 231 South La Salle Street, Chicago, Ill. 60690

4½ % Convertible Subordinated Debentures

Transfer, Conversion, and Paying Agent: The Chase Manhattan Bank, N.A., 80 Pine Street, New York, N. Y. 10015
Trustee: Irving Trust Company, 1 Wall Street, New York, N. Y. 10015

Annual Meeting

May 7, 1968, at 10:30 A.M., at Clowes Memorial Hall, Butler University, 4600 Sunset Avenue, Indianapolis, Ind.

Ten-Year Financial Review

Per share amounts in dollars computed on average number of common shares outstanding during the respective years after giving retroactive effect to the three-for-one stock split and 10 per cent stock dividend in 1964.

Other dollar amounts in thousands.

Figures for years 1958 to 1966 have been restated to include those of The Hertz Corporation, which was merged into RCA during 1967 in a pooling of interests.

Total for the year:

Products and services sold
Profit before federal taxes on income
 Per cent to sales
Profit after federal taxes on income
 Per cent to sales
 Per share of common stock

Cash dividends declared:
 \$3.50 first preferred stock
 \$4 convertible first preferred stock
 Common stock
 Per share
 Hertz dividends before merger
Stock dividends declared on common stock

Federal income taxes
Social security taxes
State, local, and foreign taxes
Total taxes

Additions to plant and equipment
Net increase in revenue-earning
 equipment of Hertz
Depreciation

At year end:

Current assets
Current liabilities
Net working capital
Current ratio

Net plant and equipment
Net revenue-earning equipment of Hertz
Total assets
Shareholders' equity

Outstanding shares of common stock
Number of shareholders
Number of employees

1967	1966	1965	1964	1963	1962	1961	1960	1959	1958
\$3,027,216	\$2,891,975	\$2,377,048	\$2,077,542	\$2,025,110	\$1,960,205	\$1,731,530	\$1,665,238	\$1,542,959	\$1,295,489
272,009	271,334	208,319	179,736	153,188	134,757	80,609	83,766	93,522	69,814
9.0	9.4	8.8	8.7	7.6	6.9	4.7	5.0	6.1	5.4
147,509	144,459	114,180	97,807	75,087	67,005	43,708	43,782	47,934	35,923
4.9	5.0	4.8	4.7	3.7	3.4	2.5	2.6	3.1	2.8
2.27	2.26	1.79	1.48	1.11	1.00	.62	.68	.82	.58
638	645	675	2,536	3,153	3,153	3,153	3,169	3,170	3,170
4,903	—	—	—	—	—	—	—	—	—
52,714	47,384	38,069	36,886	26,109	16,945	16,546	15,331	13,911	20,750
.85	.80	.65	.64	.45	.30	.30	.30	.30	.45
1,399	5,298	4,777	4,691	4,558	4,351	4,150	4,038	3,785	2,711
—	2%	—	10%	—	2%	2%	2%	2%	—
124,500	126,875	94,139	81,929	78,101	67,752	36,901	39,984	45,588	33,891
40,742	39,177	26,599	23,981	26,035	25,052	20,900	19,619	16,378	11,269
39,492	35,348	27,745	25,200	21,112	19,646	16,619	14,322	12,467	10,895
204,734	201,400	148,483	131,110	125,248	112,450	74,420	73,925	74,433	56,055
186,209	205,705	110,423	89,732	66,829	60,642	60,529	63,386	45,602	27,646
13,516	33,906	44,114	22,771	19,529	6,996	10,935	18,337	17,674	2,187
150,699	140,911	118,929	99,126	86,827	77,410	69,782	60,028	50,238	45,799
1,180,326	1,073,122	1,015,192	872,365	894,531	815,787	683,764	568,479	589,141	523,516
461,580	499,016	425,056	348,682	347,071	320,309	274,234	253,555	257,719	199,177
718,746	574,106	590,136	523,683	547,460	495,478	409,530	314,924	331,422	324,339
2.6	2.2	2.4	2.5	2.6	2.5	2.5	2.2	2.3	2.6
559,569	472,250	345,952	314,153	289,149	281,695	272,366	252,821	222,023	208,488
261,209	247,693	213,786	169,672	146,901	127,372	120,376	109,441	91,104	73,430
2,083,796	1,853,626	1,621,364	1,402,509	1,380,609	1,284,009	1,155,666	1,006,209	963,780	873,067
849,817	759,653	666,920	590,715	599,127	553,415	508,704	487,326	368,069	334,986
62,567,657	62,344,888	61,015,934	60,608,013	60,353,402	59,894,041	57,381,082	56,188,203	48,770,018	48,217,377
330,000	337,000	307,000	253,000	181,000	180,000	178,000	179,000	172,000	175,000
128,000	136,000	111,000	100,000	98,000	95,000	92,000	95,000	95,000	83,000

Management Realignment

By action of the Board of Directors, Robert W. Sarnoff, on January 1, 1968, became Chief Executive Officer of RCA while continuing as President and Chief Administrative Officer. The post of Chief Executive Officer was held by Elmer W. Engstrom, who continues as Chairman of the Executive Committee. David Sarnoff, who has served RCA since its founding in 1919, continues as Chairman of the Board.

In order to bring together those businesses which most closely relate to one another, a realignment of executive responsibilities took effect on January 1, 1968.

Charles M. Odorizzi, formerly Group Executive Vice President, became Senior Executive Vice President, Services, with responsibility for the RCA Service Company,

RCA Communications, Inc., RCA Parts and Accessories, and The Hertz Corporation. W. Walter Watts, formerly Group Executive Vice President, became Senior Executive Vice President, Defense and Commercial Systems, with responsibility for Defense Electronic Products and the Broadcast and Communications Products Division.

Delbert L. Mills, formerly Executive Vice President, Consumer Products, became Senior Executive Vice President, Consumer Products and Components, with responsibility for the RCA Victor Home Instruments Division, the RCA Sales Corporation, Electronic Components and Devices, the RCA Victor Distributing Corp., the RCA Victor Record Division, and the RCA Magnetic Products Division. John B. Farese was named Executive Vice Presi-

dent, Electronic Components and Devices, reporting to Mr. Mills. James R. Bradburn, formerly Vice President and General Manager, Electronic Data Processing, became Executive Vice President, Information Systems, with responsibility for Electronic Data Processing, EDP Service, and the Graphic Systems Division.

Harry R. Wege, Vice President, Missile Systems, reached his retirement date on January 31, 1968.

In the Corporate Staff, Chase Morsey, Jr., joined RCA as Vice President, Marketing, and was assigned staff responsibility for all the company's marketing activities.

During the year, George E. Morris, who had served as Assistant Secretary of RCA, was elected Secretary of the Corporation.

Board of Directors

George H. Brown
Mrs. Everett N. Case
Bennett Cerf
Elmer W. Engstrom
Frank M. Folsom
Leon C. Greenebaum
Harry C. Hagerty
Harry C. Ingles
Arthur L. Malcarney
Paul M. Mazur
Andre Meyer
Delbert L. Mills
Carroll V. Newsom
Charles M. Odorizzi
David Sarnoff
Robert W. Sarnoff
Walter D. Scott
Lewis L. Strauss
W. Walter Watts
Robert L. Werner

Officers

David Sarnoff *Chairman of the Board*
Robert W. Sarnoff *President and Chief Executive Officer*
Elmer W. Engstrom *Chairman, Executive Committee of the Board*
Kenneth W. Bilby *Executive Vice President, Public Affairs*
James R. Bradburn *Executive Vice President, Information Systems*
George H. Brown *Executive Vice President, Research and Engineering*
John B. Farese *Executive Vice President, Electronic Components and Devices*
Howard L. Letts *Executive Vice President, Finance*
Arthur L. Malcarney *Executive Vice President, Manufacturing Services and Materials*
Delbert L. Mills *Senior Executive Vice President, Consumer Products and Components*
Charles M. Odorizzi *Senior Executive Vice President, Services*
Theodore A. Smith *Executive Vice President, Corporate Planning*
Edward M. Tuft *Executive Vice President, Personnel*
W. Walter Watts *Senior Executive Vice President, Defense and Commercial Systems*
Robert L. Werner *Executive Vice President and General Counsel*

Martin F. Bennett *Vice President, Distributor and Commercial Relations*
Charles R. Denny *Vice President and Managing Director, RCA International Division*
Samuel E. Ewing *Vice President, Washington*
Ernest B. Gorin *Vice President and Treasurer*
James Hillier *Vice President, RCA Laboratories*
Lawrence M. Isaacs *Vice President and Controller*
Melvin E. Karns *Vice President, Patents and Licensing*
George R. Marek *Vice President*
Chase Morsey, Jr. *Vice President, Marketing*
Carroll V. Newsom *Vice President, Education*
Raymond W. Saxon *Vice President, Consumer Products Services*
Frank Sleeter *Vice President, Facilities*
Arnold K. Weber *Vice President*
George E. Morris *Secretary*

